

CURRENT HISTORY

SEPTEMBER 1933

Redraw the Map of Europe?

By ALBERT GUERARD

[Professor Guérard of Stanford University is a Frenchman by birth and education, who has been teaching in American colleges since 1906, his special subject being French civilization. "I am absolutely free," he says, "from any entanglement with the French Government or any French group or agency. I am not a candidate for the Legion of Honor, and when I write it is as a thorough American, but one who refuses to lose the benefit of a French education."]

EUROPE is divided into two camps—one defends the territorial status quo; the other challenges it. Quite apart from personal bias, the liberals in England and America favor the revisionist cause. But between "revision" as a wise and generous policy and the claims and threats of certain "revisionists," there may be an abyss. Not all our liberals, for instance, are in full agreement with the vigorous methods by which Japan is pursuing the revision of treaties relating to China. Revision is not an ideal in itself, but a method for securing greater justice without endangering peace. If the means should destroy the end, our faith in revision would have to be re-interpreted.

The first objection to the revisionist movement in America is that it sails under false colors. It does not seek to revise the Paris settlement, but to abolish it altogether. The true revisionists are the defenders of the treaties, for, rare if not unique among diplomatic instruments, these treaties, through the covenant with which they are linked, admit the possibility of adaptation to changing circumstances. There is a certain Article XIX which should not be overlooked; and sincere revisionism would consist in advocating its generous application.

Those who want to demolish utterly the work of the Paris Conference belong to three groups. First of all, there are the German Nationalists. On this point there is no difference between Junker and Nazi. For them, the Central Powers were absolutely in the right from 1914 to 1918. Their defeat was due to a campaign of lies which arrayed the whole world against them, and which encouraged traitors in their own ranks. The revolution of Nov. 9, 1918 was a crime—a stab in

Copyright, 1933, by The New York Times Company. All rights reserved.

the back of the struggling Fatherland. The German Republicans have at last been driven from power; some of them have been sharply punished; their ignoble flag is gone; and with the "Shame" of Nov. 9 the consequent humiliation of Nov. 11 should also be wiped out. It is a thesis to which the merit of consistency cannot be denied. Chancellor Hitler is a much clearer thinker than some of his American allies.

The second group is that of the English and American radical pacifists, who tried to keep or to take their respective countries out of the war. Because they hated the method, they came to hate the cause in whose service the method was used. So their pacifism was hard to distinguish from deliberate hostility to the Allies, and therefore from pro-Germanism. "Stop this horrid war!" was their cry, even if at the time stopping the war meant a German victory. Since then they, too, have learned nothing and forgotten nothing. To fight Germany was a hideous mistake. We should repent, rescind our declaration of war, undo some of the harm we have caused. The German Imperial Government and its legitimate heir, the Hitler dictatorship, would, in all fairness, be entitled to an apology, even to a compensation. The least we can do is to help Germany tear up a treaty which could not have been imposed upon her without our assistance.

This also is consistent, but consistent in wrong-headedness. It made outstanding pacifists during the war the best agents of a confessedly military régime which abominated their principles. It has compelled professors of history to demonstrate that in 1914 it was Serbia that bombarded Vienna, not Austria that first shelled Belgrade; that the Belgians had ruthless-

ly marched into Germany; and that the Kaiser's troops, not the French, had prudently withdrawn ten kilometers into their own territory. By the same "consistency," our radical weeklies were bound to turn against the spirit of Locarno. Locarno implied, first of all, the acceptance and fulfillment of the treaties; and later, as a result of growing reconciliation, mitigating and transcending the treaties altogether. Locarno was Briand, and no Nazi paper could be more bitter in its hatred of Briand's France, "the enemy of mankind," than our leading exponent of peace and ill will. One hand waves the palm; the other clasps the mailed fist.

The third group occupies a more equivocal and more precarious position. It believed that the Imperial German Government was wrong not merely in August, 1914, but in its very essence. It believed that Wilson's Fourteen Points provided a workable basis for a just peace. It believed that, in rejecting Kaiserism and accepting Wilson's terms, Germany had at no small sacrifice joined the comity of democratic nations. A dictated peace, a peace founded solely upon victory, a peace untrue to Wilson's principles, was a betrayal and deserved to be repudiated. It made fools of the Germans, and it made rather worse fools of us, Wilson's naïve followers. This group, which we may call the orthodox Wilsonian, or even the ultra-Wilsonian, united with the pro-Germans, the pacifists and isolationists in defeating treaty and covenant, both in Senate and country. It was a strange coalition of incompatible elements, but it proved irresistible in its heterogeneity. From this original confusion of thought, it is extremely difficult to escape.

There is no doubt that technically

Versailles was a dictated peace. Strangely enough, no one seems responsible for the momentous step of not admitting the Germans to the Paris conference. It was simply taken for granted. If the intention was to save time, it has monstrously miscarried. It avails little to say that the Treaty of Versailles was less brutal than the Treaty of Bucharest or the Treaty of Brest-Litovsk, less ruthless in all likelihood than a peace dictated by a victorious Kaiser would have been. The aim of the war was not to give the Germans a taste of their own medicine—the Bismarckian prescription, "Blood and Iron," but a taste of ours—Dr. Wilson's electuary. There are no valid extenuating circumstances. As a result, Versailles is vitiated in its very source; and everything in the settlement that is based on victory alone, everything that is contrary to the principles we professed, and to which the Germans had rallied, must be expunged as completely as possible. In their haste, the Big Five spoiled an excellent moral case, and their attempts to deck themselves at the same time with shreds of Wilsonian righteousness and with the barbaric trappings of military triumph were frankly nauseating.

But because an initial mistake was made, a mistake which should be acknowledged and atoned for, it does not follow that every single item in the peace treaties is wrong. To reject Versailles root and branch on that plea is the mark of praiseworthy idealism, but also of rather crude logic. It is no paradox to say that, far from being "the worst peace ever devised," Versailles is not a bad treaty, as treaties go. It only looks bad in comparison with our legitimate hopes.

It was imposed, no doubt, but under politer forms perhaps such is inevita-

bly the case after a decisive war. We were chivalrously fair to defeated Spain, but we courteously relieved her of everything she had, including Puerto Rico, which had not rebelled. France had very little to say in the "discussions" of Frankfort. In 1814, as soon as France had abandoned Napoleon and returned to her legitimate King, she became, in fact, one of the allies so lately in the field against her; Talleyrand took his place in her name at the Congress of Vienna as an equal, and soon as one of the leaders. But for all this scrupulous consideration, the Allies divested France of all her conquests. After 1815, in spite of the Allies' generosity, France was as greatly embittered by the loss of her so-called natural frontiers as Germany is today. In peace conferences there is not genuine discussion except after a stalemate.

The Paris peace conference of 1919 offered a unique opportunity for a "peace without victory," that is, a peace not based upon the irrelevant fact of victory. No "might is right"; no chaffering, no dickering; plain justice.

This great opportunity was lost, but not wholly lost. If the Germans were not admitted to the discussions, Wilson himself was present, and certainly did not take a back seat. The Fourteen Points were not left without an advocate. The unanimous verdict of the European conservatives was to condemn Versailles as a Wilson peace; Foch and Poincaré never forgave Clemenceau for assenting to it. Our Senate rejected it, not because it was harsh and unjust, but because the covenant laid the foundations of a world commonwealth. Our separate peace with Germany did not even seek to mitigate the worst features of Versailles, but endorsed them all. Even

those of us who claim that we agreed with Wilson far better than he agreed with himself, cannot deny that the Versailles "monstrosity" bears at least an embarrassing likeness to its idealistic father. In comparison with what might have been, Versailles is a bitter disappointment; in comparison with a purely vindictive peace, it shines with a subdued light which is not wholly satanic.

This is the common sense of the matter, and is recognized as such by the sanest and most moderate of observers, such as Sir Arthur Salter. Those who damn Versailles and its satellites beyond any hope of redemption are purely and simply fanatics. It was not in order "to tear the living flesh of Germany" that Poland was resuscitated; it was out of belated justice to Poland. It was not in a spirit of blind revenge that the Habsburg Empire was shattered; it had fallen of its own accord, and all the Allies' tanks and all the Allies' men could not have pieced it together again. It is not in every "cruel and vindictive peace" that we find plebiscites taken, four of which decided in favor of the defeated; the rights of minorities protected, and a definite path open for the consideration of every grievance.

Nor did this promise of revision remain a pure theory. The Allies are accused of wanting to "freeze" the settlement of 1919. As a matter of fact, few treaties of any importance have been so rapidly and so radically modified as the "sacred" peace of Versailles. It is a plastic peace. Lloyd George's mean and demagogic nonsense ("Hang the Kaiser! Squeeze 'em till the pips squeak!") was eliminated, and at present that astounding acrobat is posing as the champion of a just and moderate peace. When Holland declined to give up the imperial

refugee, the Allies, greatly relieved, did not press the point, and one essential part of the treaty, the punitive clauses, went by the board. For the vague and unworkable financial articles, the Dawes Plan and next the Young Plan were substituted, and, finally, the Lausanne agreement ended the whole chapter. More flexible-minded than we, the Allies have learned at least the lesson of *The Great Illusion*. The Alsace-Lorraine problem was finally disposed of at Locarno. Not under a dictated peace, but by a free and equal compact Germany agreed to recognize and even to guarantee the present frontier of France. Germany was admitted into the League not through a back door but with the privileged rank of a major power, denied to China, Brazil, Spain, Poland. The Rhine was evacuated long before the stipulated time, and for the unequal disarmament that prevailed after the war, a new régime of *Gleichberechtigung* (equality of rights) has been accepted in principle and is being worked out in fact. When, as M. Sarraut hinted might be done, Germany is given her share in the development of tropical dependencies, the last inequality will have disappeared and with it the last legitimate grievance. Had we not so recklessly fanned the German spirit of revenge, this process of gradual revision could have been completed years ago.

Revision through reconciliation was the only safe policy for the German Republicans to adopt. Sincere or Machiavellian, it was that of Stresemann. Unfortunately, out of mistaken cleverness, the Republicans sought to steal their opponents' thunder and to be as *revanchard* as they—a suicidal move on their part. If you admit the Nazi principles, the Nazis are the logical men to carry them out. Twice the

French Republic had to face a Nazi *Revanchard* crisis—in 1888, with General Boulanger; in 1898, with the anti-Dreyfus agitation. Twice the men of peace were able to curb the fire-eaters, and, paradoxical as it may seem, twice Clemenceau the patriot was found among the leaders of the anti-militarists.

The revision we have been discussing should mean: "Back to Wilson! Back to the Fourteen Points, which were the moral basis of the armistice and the charter of the new world!" The revision which is advocated today means destroying the last traces of the Wilson spirit. It was Wilson who, in spite of secret pacts, insisted that some measure of justice be given to Yugoslavia; that Dalmatia, in which the Italians are an infinitesimal minority, should not go to Italy. If Italy at present is the leader of the revisionist movement, it is not because any injustice was committed against her, but because she is not satisfied with the very substantial injustices committed in her favor. Southern Tyrol is German; Istria is Croatian and Slovene; the Dodecanese is Greek. Revision should be an appeal to an impartial tribunal, before which the rights of the weak shall be no less sacred than those of the strong. What is sought at present under the name of revision is the removal of the last obstacles from the path of the strong.

"No peace which Italy and Germany find intolerable deserves the name of peace! Mighty nations cannot be kept forever in bondage by the paper ties of Versailles!" No, they must be set free—free to enslave others. Germany must be allowed to suppress the "preposterous" Polish Corridor, which was Polish when it was grabbed by Frederick the Great, remained Polish under Prussian rule, and is more Polish

than ever today. Germany and Italy must have parity—all the rights and privileges of great powers, which include the right to dominate. Like Austria in 1914, like Japan today, they must be allowed to have their little wars in peace, and virtuous Americans feel indignant against those provoking Poles who deny the God-given right of the Prussians to lord it over them. Poland and the Little Entente must be brought to their senses; they must realize the fact that "minor nations" have no right against "major nations."

When the evangelical Mr. Ramsay MacDonald endorses Mussolini's plea for revision, does any one imagine that a revision on judicial grounds is intended? Is there even a hint of the possibility that, in all fairness, the frontiers might be altered to the benefit of the weak? Is it not perfectly understood that the sole purpose of revision is to give satisfaction to the strong, simply because they are able to threaten, because they are strong? Japan needs no better title to the possession of Manchuria.

No peace imposed by force is a perfect peace, whether the victim be Poland or Germany. Granted. Europe was uneasy for half a century after the fall of Napoleon, because the treaties of 1815 had been imposed upon France. At every crisis a coalition was in readiness to restrain France, the unruly member. Every new French Government had to give formal assurances that it would respect, much as it might dislike, the settlement of Vienna. An unpleasant state of affairs, no doubt. But would the cause of peace have been better served if France had been encouraged to reconquer Belgium and the left bank of the Rhine? In many cases the first step to peace is not the lifting of

constraint, but the giving up of unjust claims.

No doubt a "Club of the Big Four" could secure readjustment with a minimum of bloodshed. The boundaries, we may be sure, could not be shifted without the ministrations of tanks and bombing planes, but what chance would the Little Fellows have against four World Powers? And the Big Four could maintain the new order for a while against any challenge. Thus, in 1772, 1793, 1795, did the Big Three—Russia, Prussia and Austria—settle to their own satisfaction the ever vexing Polish problem, and settle it for 125 years. It is a Frederician, a Napoleonic, a Bismarckian solution. But such cynicism might not pay. The Big Four might fall out among themselves; such things have happened to confederates united solely by the spirit of loot. One or more of them might come into conflict with some outside power like the Soviet Union, and it would be odd to see Russia reappear in Pan-Slavic guise to free the Poles and the Serbs. Then two of the Big Four are dictatorships; for all their bluster, their health is precarious. A revolution in Rome or Berlin would be followed at once by a rebellion of the alien elements. France and Great Britain might "enjoy" a decade of respite, full of remorse and misgivings, but only as a lull before Armageddon.

Only a handful of Tolstoyans would go to the full length of absolute anarchy and suppress the policeman as well as the soldier. Ultimately international law will need the backing of an international police, just as municipal law rests upon the power to enforce. Moral suasion is the one weapon that does not affect the hardened delinquent. But if the law needs force, force is legitimate only as a last resort in the service of the law. When

force dictates the law, we revert to barbarism.

The tragic situation in Europe is not due to unsatisfactory frontiers. There is no more unsatisfactory frontier than the one between Belgium and France; it cuts across the linguistic boundary and the normal channels of trade; yet it is as safe and peaceful as our own Canadian border. The root of the evil is nationalistic pride and the refusal to give up force as a means of redress. Germany and Italy have signed the Locarno agreements and the Kellogg Pact; security ought to be assured. But security is further away than ever, because Germany and Italy have made it perfectly plain that their renunciation of war was meant in a strictly Pickwickian sense. The fiery eloquence of their leaders and the rattling of their sabers can be distinctly heard across the Atlantic. They want territories now in the possession of others; they are constantly pledging themselves to the conquest (or recovery) of these territories—by peaceful means, if possible. Their ambitions are absolute; their pacifism is relative. There can be no genuine peace until these terms are reversed.

Let us have this moral disarmament, this unconditional renunciation of conquest, and material disarmament will follow without effort. The Canadian border is safe, not because it is unprotected, but because Great Britain long ago gave up any desire to coerce her rebellious colonies back into the fold. The Franco-Belgian frontier also is unfortified, except against third parties, because France no longer covets Brussels and Antwerp, while Belgium has relinquished her historical claims to Lille and Dunkirk. The German-Polish frontier could be made as safe tomorrow if, like the Canadian border, it were un-

equivocally accepted as the final one.

The suicidal economic nationalism of post-war Europe is the result of military fear. A nation whose territory is not threatened could afford to adopt a free-trade policy; a nation which may be attacked at any moment must be as self-contained as possible. It cannot leave its food supplies or its vital industrial resources in the hands of a potential foe. From the business point of view these tariff walls are absurd; as a measure of preparedness they are inevitable. And economic antagonism intensifies the political antagonism from which it springs. There is no escape from such a vicious circle except to destroy fear. But fear is not necessarily a craven hallucination; so long as a threat is real, fear is a normal response, a warning that must be heeded. A levee is a monument to fear, but it does not cause the flood.

Fear cannot be allayed unless territorial claims are abandoned. It is plain to every one that Germany will not recover the Corridor by process of law. She needs violence or at least pressure—the mailed fist or the velvet glove, but in either case force. And she needs to use it soon; time is working against her, and working hard. Whether we like it or not, the existing order is order, and the alternative is chaos. The refusal of pacifists “to underwrite the iniquity of Versailles” means perpetuating latent war.

“Would you tamely submit to injustice then?” But is a frontier ever a matter of justice? Is it not rather a tangled mass of geography, history, psychology, business? How few perfect frontiers there are in continental Europe! Even the mighty Alps do not suffice. The French valley of Aosta is in Italy; Nice, so long purely Italian, is in France. A frontier is not a

principle; it is merely a compromise.

Let us take a concrete example and consider two possible forms of injustice. On the one hand we have the palpable injustice under which the Germans are smarting. East Prussia is separated from the Reich, a solution which looks absurd on the map. But it is only on the map that it is absurd. Even today it is possible to go by train from Berlin to Koenigsberg without noticing the hated Corridor. The Germans left in Poland are allowed to use their own language, to read their own papers, to go to their own churches. Once the dominant minority, they have lost their pride of place. Is that a question of justice or merely one of privilege? Do not think of the Polish side at all. As a friend of Germany, compare these grievances with the fundamental injustice of even a righteous war. More German young men would probably die in battle as there are now Germans in the whole of Pomorze. On which side will the scale incline?

We shall never achieve peace by attempting to shift frontiers. The boundaries of 1914 were not good; the Poles alone formed a bloc of 20,000,000 people deprived of their elementary rights. The boundaries of 1919 are not perfect. No map that the best experts could draw in 1933 would satisfy all parties. The fundamental evil is not the location of frontiers, but their existence. The remedy, as D. S. Jordan and H. N. Brailsford have so clearly pointed out, is not to change but to minimize the national line, to rob it of its mystic and tragic character, to make it as innocuous as a State line in America. It is perfectly possible to imagine a Europe with a single currency, just as fortunately it already has a single metric system, and a single standard railroad

gauge; a Europe forming one great customs union; a Europe without passport formalities; a Europe where one could speak the language one prefers. In such a Europe what would it matter whether Sarreguemines be in France and Saarbrueck in Germany, or vice versa?

We must divorce the business of the territorial State from the religion of patriotism. Good roads, scientific sanitation, an efficient police, are desirable, whether you be Pole or Prussian, Catholic or Lutheran. On the other hand a German is not a man who lives under the swastika, but a man who feels himself a German, wherever he may be—in Switzerland, in Austria, in the Saxon settlements of Transylvania, in the autonomous German Republic of the Volga, in Milwaukee, St. Louis, New York or Paris. This ideal fatherland needs no soldiers. It may cover the world, enriching other cultures, not clashing with them. Because I respect German thought and love German literature, I too am a free citizen of that ideal *Deutschum*. And with such a field of peaceful conquest before you, you keep the world a-tremble for a few thousand square miles in Pomorze!

"It is easy enough to urge renunciation upon others, but what if you were smarting under a sense of humiliation and wrong?" History may help us answer this question. Be-

fore 1914 conditions were reversed. It was Germany that was in all her might and pride. Alsace-Lorraine was under the German flag; the Poles were divided among three empires. No earnest pacifist recognized the conquest of Alsace-Lorraine as just, and, as Father Gratry put it, ever since the partition of Poland, Europe had been living in a state of mortal sin. Yet not one of us pacifists urged a "revision" which, we knew, could be secured only by the force of arms. The first condition of peace was the acceptance of the status quo—peace first of all, not after "just one more fight," but now. Dictatorial brutality, petty persecutions, would naturally die in a régime of unchallenged peace. Already there were liberal Germans who realized that they were defending their own permanent interests by upholding the oppressed—the Poles against von Buelow, the Alsatians of Saverne against Colonel Reutter. Had peace lasted and deepened, autonomy, cultural freedom, would inevitably have followed and the United States of Europe would not be such a dim and fugitive Utopia.

To make every frontier an open wound is nationalism at its worst. To look above and beyond the frontier would have been salvation before 1914, and would be salvation today. It is not the map, but our scale of moral values, that needs revision.

The World Economic Conference

I—The Clash of National Policies

By H. B. LEES-SMITH

[A former British Cabinet Minister, the writer of this article has also long been a member of the faculty of the University of London.]

LONDON, July 13, 1933.—All international conferences since the war—even those which have been most successful in the end—have had their crises, and in this regard the World Economic Conference is no exception. Whatever the outcome may be, it provides a convenient opportunity to survey the situation that has now been reached.

Informed opinion in England attributes the world depression to two main causes—the losses of primary producers and the fall of prices. The losses of the primary producers have destroyed their power to purchase manufactures and turned their separate crises into a world-wide crisis. All this is now commonplace, so much so that the first concrete results of the conference seem quite likely to be obtained in this sphere, beginning with wheat. If the scheme of the four chief producing countries—the United States, Canada, Argentina and Australia—to restrict output succeeds, it will be a signal achievement, which will in itself have justified the holding of the conference. Discussions have begun for the conclusion of similar agreements to bring under world control the production of sugar, coffee, wine, cocoa, rubber, timber, tin and coal, though they have not yet been carried very far.

If the chief cause of the depression had been this overproduction of primary commodities its effects would by this time be wearing themselves out. But a crisis in the sphere of currency has imposed itself on top of the first crisis. Wholesale commodity prices have fallen in the last three years by roughly one-third. A fall of this rapidity is practically unprecedented, and it is not surprising that it should have led to an unparalleled depression. The remedy, the logical result of this diagnosis, is to raise prices to somewhere near the level of 1929. Long before President Roosevelt came upon the scene, Sir Arthur Salter, former secretary of the Financial Commission of the League of Nations, in his now famous book *Recovery*, began to urge the British public not to be frightened of the word "inflation." Inflation when it is involuntary is a peril, but a firm deliberate increase of prices brought about by governments which are balancing their budgets, have the confidence of their peoples and are acting within an international agreement, is free from danger. It is a "controlled reflation" for the purpose of correcting the unnatural deflation of the last three years.

This analysis of the depression has now won acceptance in Great Britain, where opinion on financial questions is in reality created by a comparatively small group of men—the chair-

men of the "Big Five" banks, the financial editors of the London *Times* and *The Manchester Guardian*, and one or two other papers, a certain number of Treasury officials and members of Parliament together with a few private individuals such as J. M. Keynes and Sir Josiah Stamp. If they speak in a fairly uniform voice on a financial policy it is likely that this will in a short time become British policy. They have, with increasing cohesion, been making themselves a mouthpiece of the views originally popularized by Sir Arthur Salter, and the necessity for a rise of prices has for a considerable period been almost universally accepted.

The rapidity with which events have been moving is shown by the fact that until lately it was assumed in Great Britain that the objection to a rise of prices would come from the United States. American bankers seemed to be as conservative in doctrine as those of France, and America was the rigid adherent of the gold standard. But as soon as America abandoned the gold standard the whole position changed, for it is now possible for her to raise prices with an outflow of gold, and her hands are free.

At the beginning of the conference the United States appeared with hands untied but without saying anything to indicate belief in the raising of prices as the first step on the road to salvation. On the contrary, Cordell Hull, the head of the United States delegation, showed quite clearly on his arrival that he took very little interest in this subject and that he believed that world recovery depended upon the breaking down of tariff barriers. But there was soon to be a dramatic reversal of this attitude.

At the opposite extreme stood France and the gold group, including Italy, Belgium, Germany and Switzer-

land, in fact, the whole of Europe outside Scandinavia. They are profoundly skeptical of the whole doctrine bound up with the rise of the general price level. President Roosevelt's "old fetishes of so-called international bankers" are in their eyes inescapable truths, the flouting of which will lead him to a crash. The actual position of their peoples also compels them to resist a rise of prices. The predominant electoral element in France, upon which Premier Daladier depends for his support, consists of the small *rentiers* who have already been once robbed of four-fifths of their savings by the devaluation of the franc. To the argument that, failing a recovery of prices, the world's debt burden is intolerable, they reply that French industry and agriculture are not excessively indebted, that prices in France are already very high and that a further artificial increase is unthinkable.

In Great Britain no clear-cut doctrine has yet finally evolved. What may be called the Salter doctrine has gained increasing ascendancy, but the conversion was not complete at the beginning of the conference. The confusion and cross-currents of doctrine can be seen in the fact that the London *Times* is the main support of the more radical opinions, while *The Manchester Guardian*, the great liberal organ, is the supporter of orthodoxy, and the former Labor Chancellor of the Exchequer, Lord Snowden, speaks of President Roosevelt as if he were a dangerous maniac. Prime Minister MacDonald is under the ascendancy of J. M. Keynes, but he has far less influence in these questions than the present Chancellor of the Exchequer, Neville Chamberlain, who is a conservative on the question of currency and finds the new ideas of Sir Arthur Salter and now of President Roosevelt

very much against the grain. This is seen in the unwilling evolution of his speeches. In the debate in the House of Commons immediately before the conference opened, Mr. Chamberlain, while accepting the necessity for a rise in prices, brushed aside the idea that the main method of achieving that end was by any monetary process and pinned himself to the restriction of output of wheat and other primary commodities. But a fortnight later he brought before the conference, on behalf of the British Government, a resolution tacitly abandoning his position of two weeks before by putting monetary action in the forefront.

The simple truth is that we are all dealing with a subject which nobody understands. Doubts, hesitations, divisions, still divide the British camp, but experience in diplomacy teaches us British to retain a united front. The United States, on the other hand, has made itself ridiculous by projecting its hesitations into the limelight, by open differences between its delegates, followed by complete repudiation of all the delegates together by the administration in Washington. It is a good thing for the United States that it is a strong power, for such a method of handling a world conference would not be permitted to a weak one. America, too, is fortunate in Cordell Hull, whose quiet personality has won increasing respect both for himself and his country and who, placed in an almost impossible position, has maintained the dignity of his nation.

Out of these hesitations the final crisis has arisen at the conference. It is clear that President Roosevelt changed his mind between the arrival of his delegates and the end of the first month. The series of events by which he has suddenly rushed to the front of the stage and left even the most heterodox of British thinkers

staggered by his rapid conversion, is one of the most dramatic developments that have taken place in the long series of conferences since the close of the war.

What then is the result of the crisis? The broad answer is that the conference, so far as its central work is concerned, is adjourned for a period which will last for months. The popular view is that it has already failed. But this is not regarded by the most careful observers as correct in perspective. The conference is passing through a crisis such as, at some period, every conference has had to face. This crisis was known in Great Britain to be inevitable when, before the conference began, America abandoned the gold standard. The repercussions throughout the world of the fall of a great currency cannot be removed for many months. The conference, for example, would have had an almost impossible task if it had been called in November, 1931, two months after the fall of the pound. As soon, therefore, as America went off gold, technical reasons would have dictated the postponement of the conference, but political reasons, combined with the world situation, made this impracticable and the conference was bound to be held at a moment which British opinion knew to be premature.

The nominal cause of the adjournment is President Roosevelt's refusal to enter into any agreement for the temporary control of exchange fluctuations, but the real cause is that those exchanges cannot be stabilized before American policy is stabilized, and this will not be for months. Yet the conference has achieved one signal result—the most important of all. It has ranged Great Britain on the side of the United States as against the gold group. Until now its policy has

been that of the mediator between the two. This policy has been dictated not only by economic but by political considerations, for a rise of prices in France might well spell the defeat of Premier Daladier and the advent of André Tardieu at the head of a government of the Right, which would, at the present juncture of European affairs, be a tragedy. But in the decisive vote Great Britain, the British Dominions and Scandinavia ranged themselves with the United States as against France and the gold group. The influence of the British Dominions finally determined the attitude of the British Government. No British Dominion has defaulted yet, but if prices remain at their present level, even for another year, that danger will be very close at hand. The sterling bloc can now therefore join with the United States, and Sir Arthur Salter's proposals can cover the greater part of the world.

Although the British and American Governments are coming together, their doctrine is still far from identical. Neville Chamberlain, for example, now accepts the policy of raising the price level by monetary action, but he strictly confines monetary action to the accepted orthodox devices such as cheap credit and open market operations. President Roosevelt obviously intends to adopt any device, orthodox or not, that will achieve his purpose. He proposes, for instance, to initiate the largest program of public works in history. The British Government has no intention of following any such example. President Roosevelt's National Industrial Recovery Act goes a long way beyond the extreme proposals of the British Labor party.

The truth is that the position of the two countries is not identical. Great Britain does not feel impelled to take

great risks. The British people have been accustomed to unemployment for twelve years and the sense of crisis has passed away. The government, indeed, is now telling the people that in spite of twelve years of depression there are no signs of malnutrition and that the death rate is going down. But President Roosevelt has behind him hopes that he must fulfill if he is to avoid failure. His experiments will therefore be bolder than those of the British Government. The British people are watching him with sympathy. In the debate in the Commons on July 10 the whole temper of the House was on his side, and only one speaker criticized his policy. When it is clear that the time for stabilization has come, Great Britain will be ready, together with Scandinavia and the British Dominions, to act in conjunction with the United States and establish a common system for controlling the price level. The position of silver in a stabilized system will then come up for decision. By common action we may well succeed in freeing industry from the booms and slumps which have been its curse for the last hundred and fifty years.

Meanwhile, two other important issues remain—the international commercial debts and the future of tariffs. Foreign debts will no doubt be scaled down, but if trade revives a great part of them can be salvaged. The first difficulty is that no mechanism at present exists for enabling debtor countries to arrange collectively with their creditors as a whole. The proposal that the conference seems most likely to accept is that each creditor nation should set up a body of the same nature as the British Council of Foreign Bondholders to negotiate on behalf of all its creditor interests with their debtors in any debtor country.

But this will still leave untouched the question of future foreign loans and investments. The proposal is that the conference should draw up something in the nature of a public loans charter which the great issuing houses of each nation would be compelled to observe and which would save investors from the scandalous ignorance, carelessness and deception of which they have been the victims in the past. Obedience to such a charter could be secured by the supervision of a joint committee appointed by the Financial Committee of the League of Nations and the Bank for International Settlements. Even with these precautions it will be difficult to induce a revival of foreign investment. But this is essential to complete world recovery. The suggestion is that, in the early stages, where the loans are well secured, the guarantee of the government of the investing country should be placed behind them.

The remaining important issue is that of tariffs. At the beginning of the conference the first discussions centred on the question as to whether currency or tariffs occupied the leading position. It was understood that the United States with Cordell Hull as leader of its delegation regarded tariffs as the primary issue. On the contrary, it is now clear that the currency problem has pride of place and that until it is settled discussions on tariffs can lead to nothing definite. The reason is that the first problem that is raised in the tariff issue is the multiplication within the last three years of import prohibitions, foreign export restrictions, export bounties, quotas, and similar supertariff devices, which are a direct result of the shortage of gold and exchange, and cannot be dealt with until their originating cause has been removed.

In the words of the Basle report, "a tariff crisis has been added to the monetary crisis." The countries having to make payments on account of interest on loans and war debts have no longer any exportable gold left. The only way remaining for them to make these payments is to adopt a series of devices for increasing their exports and cutting down their imports so that they may have a surplus of foreign exchange which can be used for their foreign payments. Even then, such foreign exchange as they retain has to be rationed so that priority in using it may be given to their governments for indispensable payments. This situation cannot be altered until such countries have in their possession sufficient gold or exchange to meet their essential needs. The conference has already begun to work upon suggestions that, when the problem of currency is solved, these countries shall have at their disposal sufficient exchange for their needs, probably through the Bank for International Settlements, on condition that they abandon the special restrictions they have established during the last three years.

But when all special impediments have been removed, the problem of normal tariffs has yet to be faced. It is universally admitted that they are too high, but no plan for an agreed reduction is in sight. The Experts' Preparatory Report pointed out that there were two alternative plans, one for a reduction by percentages and the other for a reduction to a uniform level. The United States has adopted the first plan, and Senator Pitman put forward on its behalf a proposal for the reduction of tariffs of all nations by 10 per cent. This immediately revealed the first difficulty. The United States has almost the highest tariff in the world, whereas Great Britain is

still on a low tariff. Senator Pitman's proposal would mean that the United States would still retain her abnormally high tariff and that her position in relation to other countries would be practically unaltered. The low-tariff countries led by Great Britain prefer the second plan for reduction to a uniform level so that the whole world would come down to a general low-tariff system. This would be enormous, while the British tariff would remain practically unchanged. The mere recital of these difficulties shows that no universal arrangement can at present be made.

The next proposal, therefore, is for the immediate formation of one or more "low-tariff clubs." Let groups of nations whose trade is naturally complementary enter into agreements for a reciprocal reduction of tariffs. An example of this plan is the Convention of Ouchy signed in June, 1932, by Belgium, Luxemburg and Holland, under which these three countries agreed to reduce their tariffs in favor of one another by stages of 10 per cent to a minimum level, which has not yet been decided. Active discussions have been proceeding for months about the formation of a similar group for Austria, Hungary, Czechoslovakia and the other Danubian countries. The British Liberal party, on the advice of Sir Walter Layton and Sir Herbert Samuel, propose that Great Britain should take the lead in forming another group by offering to lower her tariffs to a uniform 10 per cent in favor of all countries that offer a reciprocal concession.

This is the most practical method of making rapid progress, but at present it is blocked by the impediment of the most-favored nation clause. This has already prevented any steps being taken in implementing the Ouchy convention, for if Belgium re-

duces her tariffs in favor of Luxemburg and Holland she must give the same concession to all other countries in the world, however high their tariffs against her may be. This subject is ripe for world decision and the conference will certainly thresh it out during the coming months.

In addition to this, the conference may lay down a code to distinguish good tariffs from bad. The basic principles, which are fairly obvious, have been worked out at length by Sir Arthur Salter. The tariff that extends the market of an industry already possessing natural advantages is better than one that creates a new industry which could not otherwise have existed. Tariffs that neither yield substantial revenue nor protect any considerable or profitable enterprise but operate chiefly to kill demand by high prices are obviously bad. Many such tariffs now exist, that of Australia being the most flagrant example. A tariff rate which is low and uniform through each of the main categories of commodities (manufactured, agricultural, and so forth) is less liable to lead to organized bribery and corruption than the discriminatory system which gives different rates to different articles. This criterion condemns the American tariff and upholds the British. The real difficulty in the way of reduction is that it involves an enormous confiscation of capital. Vast populations have become trained and specialized in certain occupations which they cannot change. A national psychology inimical to reform has been created.

It must be admitted that Great Britain offers the best example of this truth. The Conservative party has fought for the tariff for the last generation under the leadership of the Chamberlain family, whose youngest member, Neville Chamberlain, is now

Chancellor of the Exchequer. It is asking too much of human nature to demand that he now break down the tariff which he erected only last year. At the conference he has resisted all proposals for a general agreement and has suggested as an alternative that Great Britain should proceed by the way of a series of bilateral agreements between countries willing to make them. Within the last six months Great Britain has made agreements of this kind with Denmark, Norway, Argentina and Germany, and Mr. Chamberlain's view is that the rest of the world should follow England's example. The Experts' Preparatory Report, however, says candidly that "no serious progress can

be anticipated along the road of bilateral negotiations." Up to the present the results achieved by Great Britain's bilateral agreements have been quite negligible. It is calculated that this method would need the making of over 2,000 such agreements in order to achieve even the minute results which Great Britain has at present reached.

It is clear that any lead for a substantial reduction of tariffs will have to come from the United States, and that meanwhile the most urgent step is to agree to a continuance of the tariff truce, so that there shall be no increase in tariffs until the work of the conference has been definitely brought to an end.

II—An International Comedy

By WILLIAM HARD

[Another account of the conference is given here by a well-known American newspaper correspondent whose experience inclines him to see the amusing as well as the significant side of international affairs.]

INTERNATIONAL conferences are nice. One meets so many people one knows. Here, for example, at this International Monetary and Economic Conference in London is one of the big publicity men of the League of Nations. And, along with him, comes all the rest of the League's apparatus and paraphernalia for the holding of international conferences. It is developing into a science, a business, or, as the chambermaid in my London hotel has acidly remarked to me, a "pastime."

There must be a very large room in which the opening session and all other "plenary" sessions of the conference will be held. In this room the

delegates must agreeably applaud all such phrases as "concerted efforts on behalf of a common humanity," "world-wide measures for world-wide peace and prosperity," "international economic cooperation," "universal loyal collaboration" and "mutual sacrifices." Then there must be a lot of smaller rooms for the commissions into which the conference will divide itself, and a lot of still smaller rooms for subcommissions, and a lot of rooms even still smaller for sub-sub-commissions. In these rooms the delegates, when asked for "sacrifices" to be made by their countries, are at full liberty to say "No," and usually do so. Then, outside all the rooms, there must be electric light bulbs of two colors. One color shows that somebody inside is making a speech. The other shows that a speech is being translated into either French or English.

There must also be one grand spacious lobby in which the delegates can walk about picking up news from one another and conveying carefully selected parts of it to their favorite journalists for political purposes back home. For instance: "You may say today, in spite of impudent pressures from numerous foreign countries, I declined to reduce our tariff duty on zinc." Or, again: "You may intimate that I challenge any political opponent of mine in our national legislature to name one thing that I have given away to any foreign country since I got here." In the great hall of the "plenary" sessions there is the assumption of a universal international human society. In the lobby there are sixty-seven jealous, suspicious national entities. And there is something else again—and a third sort of atmosphere—at the tables in front of the bar.

There must be a bar. It must be very long. Behind it there must be arrayed the multitudinous drinks of all nations. On it there must be displayed the multitudinously varied sorts of glasses from which the drinks are drunk. At the tables the delegates depart from the sermonizings of the great hall and depart equally from the bickerings of the lobby and become just pleasant personal acquaintances and friends. In the atmosphere of the bar a great deal might be accomplished for the international welfare of the world if only the theoretical rhetoric of the great hall and the sordid practical home politics of the lobby could be cork-screwed out of the delegates' minds.

From the delegates' bar, or lounge, the journalists descend from time to time to their own lounge, or bar, and discourse among themselves on all the international sentimentalities and all the national selfishnesses most recently exhibited by the delegates up-

stairs. Troublesome elements in international conferences, these journalists. But why? Because the delegates themselves are always giving them scraps of news tending to the advantage of their political parties in their own countries while tending at the same time to the disadvantage of the international negotiations going forward in the conference. The menace of journalism at international conferences is directly produced by the political garrulosity of delegates.

For the benefit of the journalists at international conferences nowadays, under professional League management, there must always be an extremely long bulletin board. On this board, within fifteen minutes or so after anybody has made a speech in any room in the building, a mimeographed summary of his remarks will be tacked up. There will also be tacked up all motions or resolutions or aspirations proposed by any delegate. There will also be tacked up all reports by any of the conference's commissions or subcommissions or sub-sub-commissions. A reporter could report the conference from the bulletin board without ever attending the conference. Finally, there must be an immense room in which the journalists can write their dispatches at long tables; and there must be six or seven booths for the six or seven different great international telegraph companies of the world; and there must be twenty or thirty telephone boxes for the Continental European reporters who seem to have a passion for sending their dispatches by word of mouth.

And now here is General Smuts of the Union of South Africa. He has been coming to these things ever since the Paris Peace Conference of 1919. And he always has a lot of blame that

he is always loading on somebody—somebody else. This time he is loading it on the United States. According to him, in his first public proclamation in this conference, there is just one central thing the matter with the world, and that is the inclination of the United States to collect debts owed to its Treasury. Cancel those debts, and apparently the price of ostrich feathers from the Union of South Africa will go bounding right up.

That is not the idea of our Mr. Cordell Hull. Mr. Hull has been doing very well over here, as a personality. He impresses. He evokes moral confidence. He gains profound respect. His integrity is manifest. And his consistency and continuity of personal purpose cannot be gainsaid. He has represented the United States loftily, Olympianly. Yet, though his character is unimpeachable and though his argumentation may in logic be unanswerable, he has budged the world here not one inch from what he calls its "extreme economic nationalism." But there you are! How the doctors disagree! Listen to Dr. Smuts, and the root malady is debts. Listen to Dr. Hull, and the root malady is "extreme economic nationalism."

Now listen to Mr. Charles Rist of the Bank of France. He is a familiar figure at these international talk festivals. He is a professor and also a financier. He has a beautifully ordered—and a beautifully oiled—mind. He is at the same time solid and brilliant. He makes his points in a clear crescendo of logically accumulating weightiness. Being French, he does not talk fog. Being Rist, he talks with a clarity almost super-French. And what does he say? He says that the world's instant central malady is international currency fluctuations. Yes. The monetary matter—according to Mr. Rist—is the fundamental matter.

There Mr. Rist is at variance with the opinion of the British delegation. And what is the British delegation's opinion? Right there is one of the great puzzles of the conference. The chief British delegate is Mr. Neville Chamberlain, Chancellor of the Exchequer. His irreproachable attire is an accurate index to the irreproachableness of his soul. His facial aspect is similarly *de rigueur*. Here is a correct man. The British public feels it. It does not regard him as clever. It esteems him precisely for his not being "too clever by half." The strain of non-cleverness in him is cheering to the British electorate. One cannot for a moment suspect him of being perfidious or even devious. He is open and he is straight. Nevertheless, he suffers in this conference from the very same disability that afflicts Mr. Hull. Both men can stand on a policy; but each represents a government that vibrates between policies.

Mr. Hull was first instructed to press mainly for lower tariff duties. He was then instructed to press mainly for higher prices of commodities. The two aims were quite different. They were not simultaneous. They were successive. They revealed a sudden drastic shift of emphasis. At the beginning of the conference the American delegation introduced resolutions for monetary stability and for the lowering of economic barriers between countries. They introduced resolutions, that is, for a return to the old nineteenth-century orthodox international business situation.

Now, in the concluding days of the conference, the American delegation is introducing resolutions for novel monetary experimentations designed to lift prices by wholly unorthodox governmental levers. We may have been right either time. But which

time? The British delegation is puzzled to know.

Being puzzled is, in fact, the British delegation's specialty. The British delegation is in favor of expanding the currency, but not too much; it is in favor of inflating credit, but not too much; it is in favor of returning to gold, but not too soon; it is in favor of lifting prices, but not too far; and it is in favor of the lowering of economic barriers between countries without interfering in any way with the plans of the British Minister of Agriculture for restricting importations of foreign goods.

You see the British Minister of Agriculture circulating smilingly about the lobby. His name is Major Walter Elliot. He has a fine war record. Before the war he was a medical practitioner and a scientist. His is the most vital and vivacious mind in Britain's Conservative party. Everybody says that he is likely some day to be Prime Minister. He is not impeded in his march toward that office by the fact that he is a Scotsman. The English are perfectly willing to be served by Scots or Welsh Prime Ministers. They do not care who makes them richer; and Walter Elliot is all out to make the English farmer richer by means of his new "quantitative regulation."

That phrase, "quantitative regulation," gives great pain to Mr. Hull. It reminds him strongly of the French word "quota." The French have a nasty habit of decreeing that only just so many pounds of such and such a product may be imported into France from a given country. That is a "quota." It deeply distresses Mr. Hull; and the British, also, denounce it. The British want the French to do away with "quotas." But watch! The British are against "quotas" and in favor of "quantitative regulation."

And what is "quantitative regulation?" Why, it is this:

Major Elliot makes an estimate of the total probable consumption of bacon in Britain next year. Then he proposes to say: "So many tons of that bacon shall come from British home pigs. So many tons of it shall come from pigs in the British Dominions and colonies. So many tons of it may come from foreign pigs." And then he proposes to say further: "Of the total amount of bacon to be supplied from pigs in foreign countries, so much shall come from Denmark and so much from Holland and so much from each other bacon-exporting country."

How does "quantitative regulation" differ from a "quota"? It differs from a "quota," the British say, in that it is based on a comprehensive marketing plan for each commodity. It is not, the British say, a mere arbitrary bureaucratic decree. No. It is statistical and scientific. This does not console Mr. Hull. He foresees the French taking just so much American bacon and no more; and he foresees the British taking just so much American bacon and no more; and it makes no difference to him whether his American bacon trade in Europe is killed by "quotas" or by "quantitative regulation."

International protests, however, against "quantitative regulation" do not move Major Elliot. He continues to smile. He is always smiling. He has a heavily lined and extremely strongly featured face, a quite hard face which perhaps would seem harsh and even cruel if it were not always lit with laughter. He finds amusement in all things, and he also furnishes amusement. He can condense whole volumes of facts into a witticism. "One should worry about Britain carefully," he says. "Britain for centuries has seemed

to have the fate of an iceberg slowly melting in the Gulf Stream. But it never gets melted." Under Major Elliot, as Prime Minister, it would surely add an amazing chapter to its variegated memoirs. It would pass from being the classic land of free trade to being a land of Tory socialism. Major Elliot and, in fact, the whole intellectually dominant element in Britain's Conservative party are headed straight toward a national governmental planning of Britain's entire basic economic life.

What a moment in which to call a conference for the restoration of free international trade—of trade by free individual traders! But how appropriate that such a conference should be held in a geological museum! It can bequeath to the museum a fossil entitled "Free Trade," illustrating the old Darwinian Age of the free struggle for existence and of the free survival of the fittest. Now, all the way from birth control to trade control, there is the age of an attempted taming of nature by edict; and this conference—quite unintentionally—testifies to its arrival.

No wonder Mr. Litvinov of Russia looks quite cheerful. No wonder that his plump red face shines even more beamingly than usual. He is one of the great conference addicts of Europe. Few conferences escape Mr. Litvinov's presence. No conference would want to. Mr. Litvinov is a large part of the life of any conference. He is such a tease! At disarmament conferences he always tries to demonstrate that armies are a deplorable product of the deplorable capitalistic system. He does this by offering to abolish the whole Communist army of Russia if only the capitalistic countries will also abolish all their armies. Then the only thing that the capitalistic countries can do is to laugh a long time and exclaim:

"How witty that man Litvinov is!" And then at economic conferences Mr. Litvinov always distributes beautifully printed pamphlets, with wonderful pictures and diagrams in them, showing that industrial production in Russia is rapidly mounting and that in Russia there is no unemployment. To this an Englishman at the conference retorted: "Neither have we any unemployment in Dartmoor Prison." Nevertheless, Mr. Litvinov's governmentality is much closer to the general tone of the conference than Mr. Hull's free individualism.

Observe Prime Minister Bennett of Canada, for instance. A strong man, he is as stocky as Mr. Litvinov and as plump, but of a much harder plumpness. He beams like Mr. Litvinov, but even more energetically. He abounds in good humor and he abounds in resoluteness. He can tell Prime Minister MacDonald of Britain just what Canada wants and make Mr. MacDonald like it. But what is it that Mr. Bennett, on behalf of Canada, now particularly wants? Mr. Bennett is a business man. He is by business experience a conservative. He is by political alignment a conservative. He has no affinity whatsoever for Marxism or progressivism. Yet what is he doing here? He is spending most of his time conferring with Mr. Morgenthau of the United States and Mr. Le Breton of Argentina and Mr. Bruce of Australia for a joint government control of the production and exportation of wheat. He is engaged here in promoting State socialism.

And Mr. Sarraut of France! A man of property! What is his particular errand here? Why, to try to negotiate an agreement among the wine-producing countries for a joint governmental control of the production and exportation of wine.

And Mr. Ferrara of Cuba! There is

another sturdy man. He exudes even more energy than Mr. Litvinov or Mr. Bennett. He has two peculiarities. The first is that he can sleep at any time, anywhere. He can work for thirty-six hours and then sleep for two hours and then work for two hours and then sleep for twelve hours and, in general, he can alternate between perfect sleep and intense wakefulness at will. Result or cause—no nerves and a lovely sweet temper. His second peculiarity is that he tells the total truth in and about conferences. In this respect he is virtually unique among conference habitués. Though he keeps on going to conference after conference, he has never acquired the habit of making rainbow predictions. I ask almost any other delegate: "How is your subcommission getting on?" The delegate will look me straight in the eye as if he thought I was going to believe what he was going to say and will then say: "We expect an agreement next week." But I will now address myself to Mr. Ferrara. "Mr. Ferrara, your two great interests here are the reducing of tariff duties and the organizing of the international market for sugar. How are you getting on with them?" Mr. Ferrara replies: "Not at all. I am sure that there will be no agreement to reduce tariff duties, and I fear that there will be no agreement of any really satisfactory sort on the marketing of sugar." What a relief! Mr. Ferrara knows that this conference, overwhelmingly, will not produce solutions but only resolutions, and he says so!

Yet the conference does also produce, in its sub-subcommissions on sugar and wine and silver and coal and timber and tea and tin and so on, a prophetic glimmering of the dawn of a troubrous day in which governments will be continuously negotiat-

ing with one another regarding "quantitative regulation" of exports and imports. Walter Elliot and the sub-subcommissions on commodities are the conference's most meaningful exhibits. Less clearly the conference presages the possibility of a day of continuous negotiations between governments for the fixing of the relationships between their several separate "managed currencies." Mr. Rist, Mr. Bonnet, Mr. Bizot, all the other members of the French delegation, hate that prospect. They are for the automatic gold standard. So are almost all the other Continental Europeans, except the Scandinavians. How firm and clear the Continental Europeans are on that point!

Mr. Bonnet, France's delegate-in-chief, is slender, vibrant, quite hook-nosed. He talks tensely; talks coherently; says today exactly what he said yesterday; will say tomorrow exactly what he said today; does not get from Paris every night a new set of lines to speak on the conference stage tomorrow; always gets the same lines. Mr. Bonnet utters them; Mr. Rist utters them; Mr. Bizot utters them; all the other members of the French delegation utter them. "Stabilization." "Security." "Gold." "Gold." "Security." "Stabilization." They know what they want, these French; and they know it precisely; and they know it forcefully; and they know it unitedly; and they know it inflexibly; and there you are! They make you understand why the English novelist William de Morgan called them "the most incorrigibly foreign of all peoples."

And Mr. Schueller of Austria—another hard-headed man. He says that Austria knows all about discarding gold and embracing inflation. The Austrians, he says, were once the best inflationists in the world. They did

not merely make prices go up 10 per cent or 20 per cent or 100 per cent. They made them go up 15,000 per cent. They made the world's inflation record and now, says Mr. Schueller, they have retired from the game, permanently.

And Mr. Schacht of Germany. He is said to be the world's ablest central banker; runs the central bank of Germany; seems to run it as a sort of personal hobby; talks about "my" gold reserve and "my" discount rate; is always joking; is always elated; seems always to be at the very top of the wave; seems ever so much younger than his years; has a mind both singularly adroit and singularly powerful; can study and can command; is wholly familiar with all the intricacies of all the new monetary theories; remains profoundly orthodox; takes virtually no part in the conference but joins the French, outside the conference, in a stubborn adhesion to gold; has only a few ounces, so to speak, of gold in his Reichsbank but would rather be on the shoe-string gold standard than on any "managed-currency" standard so far suggested.

And Mr. Gutt of Belgium, financial expert for his country's delegation. Full of financial and also industrial experience. One of the leading figures in the great Belgian African copper property called Katanga. A little man with a thin voice but very wise in the ways of the world, and very wary, and very determined—determined especially to stay on gold.

And Mr. Colijn of the Netherlands. Chief of the Dutch delegation. Prime Minister of the Netherlands. Big public man. Big private business man. Vast practical acquaintance with financial and industrial affairs. Sticky character. Absolutely impossible to stir him away from gold and toward inflation.

And Mr. Pirelli of Italy. Another financial expert. Another practical business man. Heavily interested in great Italian business enterprises. Regarded by many as the supreme financial expert of the conference. Has pondered Professor Moley's arguments for inflation and has remained unconverted.

They have all remained unconverted, these European continental financial delegates from the countries south of Scandinavia. Perhaps, of course, our American delegates and our American financial experts would have been more successful as evangelists of inflation if they had started at it sooner. They began, however, by directly or indirectly entering into conversations for monetary stability and only later addressed themselves to depicting the beauties of a monetary ascent into the stratosphere. They are not now really carrying conviction even to the British.

The British chief monetary expert, Sir Frederick Leith-Ross, talks fairly pleasantly indeed about monetary measures for higher prices, but neither he nor anybody else in the British Government seems to do anything that you could call drastic about it. Sir Willmott Lewis of the *London Times* puts the matter quite well by remarking that in this conference in the matter of higher prices the British talk like Americans and act like Frenchmen. My own guess is that Sir Frederick Leith-Ross understands the whole subject perfectly and does not intend to go off the deep end in either direction while the water is equally perilous on both sides. Sir Frederick is a bulky person with a formidable nose and with still more formidable glasses on the nose. Some people think that he is as clever as Mr. Pirelli, and some that he is even cleverer, as a financial

expert and adviser. In any case, the American financial experts and advisers had no new tricks to teach him; and, moreover, the chief American financial experts and advisers—Mr. Sprague and Mr. Day—got on boats and went home at the very moment when the American delegation began vigorously pushing for an international benediction on the American inflation program. What did they mean by that?

Lots of others from numerous countries are now buying their tickets for home. This International Monetary and Economic Conference, having accomplished so little in either the monetary or the economic sphere, will be called a failure and will be called "a conference to end conferences." End them? Impossible.

The world is full of things that need talking about and it is full of talkers. It is also full of people whose occupation is coming to be that of international conferring. I shall be attending conferences next year and the year after next; and Mr. Posse of Germany will be there, explaining German economic policy as usual; and Mr. Stucki of Switzerland will be there, explaining Swiss tariff meas-

ures as usual; and Mr. Munch of Denmark will be there, advocating economic disarmament and military disarmament as usual; and, above all, Derso and Kelen will be there.

Derso and Kelen, for ten years and more, have been engaged jointly in making caricatures of delegates in international conferences. They are Hungarians. They are the deepest and most penetrating delineators of lineaments in the world. Their drawings of famous people will, some of them, outlive the fame of the people drawn. It is necessary to have international conferences in order to provide Derso and Kelen with expression for their genius. And Derso has a splendid idea about delegates. He thinks that the families of the delegates who go from international conference to international conference should inter-marry. He thinks that thus in time we would produce a special international race of people who would be biologically peculiarly competent to be delegates and who ultimately, by hereditary right, would do all our international conferring for us, while the rest of us could go to tennis matches. Well, good-bye, Derso and Kelen. See you next time.

Planning in the Tennessee Valley

By ARTHUR E. MORGAN

[Dr. Morgan was called from the presidency of Antioch College to become chairman of the board of the Tennessee Valley Authority. He has had long experience as an engineer in charge of reclamation and flood control projects in various parts of the United States.]

A CASUAL observer might regard the Tennessee Valley Authority Act as a jumble of special provisions, thrown together to meet a variety of special interests. There is the provision for completing the power development project at Muscle Shoals; the people of that community have had dreams of another Birmingham. There is the provision for making fertilizer; cheap fertilizer is a live issue, especially among Southern farmers. There is a curious provision for trading power sites for Muscle Shoals power. There is a provision for building transmission lines, reflecting President Roosevelt's desire to have somewhere in America a "yardstick" of public transmission of power by which to measure the effectiveness of the private power industry, and reflecting also the desire to get full value from the Muscle Shoals and Cove Creek plants by interconnection. There are provisions for operating government locks, for flood control and for navigation.

If at first all this seems like an accidental bundle of purposes which Congress has tied together in a single act, careful examination makes it clear that such is not the case. Although there was strong pressure from some directions to make the tail wag the dog, to give controlling prominence to certain important but incidental fea-

tures, as well as vigorous efforts to introduce certain seemingly innocent provisions which would have gone far toward killing the effectiveness of the measure, it was, as it passed through Congress to the accompaniment of much heat and stress, welded into a single organic whole, emerging finally as the clear expression of a definite and far-reaching plan. That purpose was expressed by President Roosevelt in his message to Congress forecasting the introduction of the bill, when he said:

"The continued idleness of a great national investment in the Tennessee Valley leads me to ask the Congress for legislation necessary to enlist this project in the service of the people.

"It is clear that the Muscle Shoals development is but a small part of the potential public usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development: it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification of industry. In short, this power development of war days leads logically to national planning for a complete river watershed involving many States and the future lives and welfare of millions. It touches and gives life to all forms of human concerns.

"I, therefore, suggest to the Congress legislation to create a Tennessee Valley Authority—a corporation clothed with the power of government but possessed of the flexibility and

initiative of a private enterprise. It should be charged with the broadest duty of planning for the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and its adjoining territory for the general, social and economic welfare of the nation. This authority should be clothed also with the necessary power to carry these plans into effect. Its duty should be the rehabilitation of the Muscle Shoals development and the coordination of it with the wider plan.

"Many hard lessons have taught us the human waste that results from lack of planning. Here and there a few wise cities and counties have looked ahead and planned. But our nation has 'just grown.' It is time to extend planning to a wider field, in this instance comprehending in one great project many States directly concerned with the basin of one of our greatest rivers.

"This in a true sense is a return to the spirit and vision of the pioneer. If we are successful here we can march on, step by step, in a like development of other great natural territorial units within our borders."

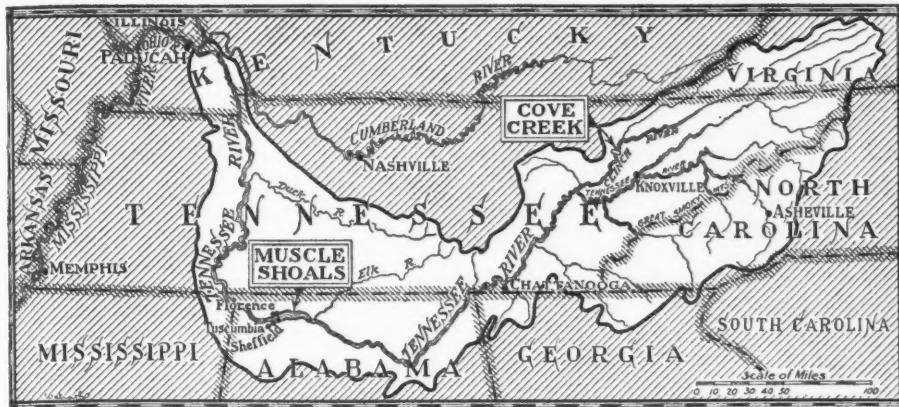
The Tennessee Valley Authority Act is not perfect. Parts of it may be difficult to administer. The importance of the various provisions is not in proportion to the number of words used to define them. Whole pages are occupied with details, while far-reaching principles are enunciated in brief paragraphs. In contrast to the more than two pages given to details of the subject of fertilizer, the following brief provision in the act is highly significant.

"Sec. 22—To aid further the proper use, conservation and development of the natural resources of the Tennessee River drainage basin and of such

adjoining territory as may be related to or materially affected by the development consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized, by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee basin and adjoining territory as may be useful to the Congress and to the several States in guiding and controlling the extent, sequence and nature of development that may be equitably and economically advanced through the expenditure of public funds, or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby, or subdivisions or agencies of such States, or with cooperative or other organizations, and to make such studies, experiments, or demonstrations as may be necessary and suitable to that end."

If the act is at fault in the uneven emphasis given to various subjects, that can be corrected by the type of organization set up. The Tennessee Valley Authority is a corporation, administered by a board of three directors who report directly to the President, and are chiefly subject to his control. Under his direction it is their function to bring design and proportion into the affairs of the corporation and to insure that a smoothly operating and well-matured program shall emerge to express the dominant purpose of the act.

What ought that program to be?



The Valley of the Tennessee River

President Roosevelt's idea, as embodied in the law, is that in the watershed of the Tennessee River there shall be attempted the first deliberate effort, on a large scale, to inspire systematic and balanced development of the social and economic life of a part of our country. The New Deal, which is the central theme of the present administration, will not be brought about simply by a change of motives. New methods also are essential. Orderly design must take the place of hazard and destructive exploitation.

In making this change from hit-or-miss individualism to planned and controlled development, it is well that policies be tested in a limited area, rather than that the inevitable trial-and-error method should first be applied on a nation-wide scale. For many reasons the Tennessee Valley is a suitable site for such a project. Any temporary inconvenience resulting from its being used as the laboratory of the nation should be more than offset by the direct appropriations by the Federal Government. The nation as a whole can afford this investment, for it can thereby learn how to plan in other regions. Both the Tennessee area and the nation should profit.

To realize the need for orderly planning, it is well first to consider some of the results of present practices. If they are continued the Tennessee River drainage area can never be the site of a permanent civilization; it will become a region of barren hills, with a scattered population living in poverty and squalor. The rolling farm lands of the region must be kept under control by proper cropping and proper treatment, or the soil will be washed away, and only bare rock or barren red clay veined with deep gullies will be left. To a man who knows soil conditions, an airplane trip over the Tennessee River area and the adjoining regions is a disheartening experience. On every side he sees exposures of bare clay, the soil washed away, the fields abandoned, and the ugly gullies stretching their destructive tenacles further and further into the land. These barren lands were once fertile wheat fields. The traveler by plane sees beneath him a civilization being destroyed at its very foundations, though it is only a century old.

What can planning do to stop such destruction? Lands completely ruined for farming can be planted to forests. The growth of new trees stops erosion

and slowly a new fertility is created. In the meantime a profitable tree crop is springing up. As a further step, a new principle should be introduced into land ownership. A farmer is not the absolute owner of his land. He occupies it during his lifetime and then passes it on to another generation. He is under a moral obligation not to waste that heritage. He should not receive fertile lands from his father, and pass on barren, gullied hillsides to his son. If a farmer is rendering his land worthless for the generations to come, he should be required to reduce his acreage to the amount he can properly care for, and the remainder should either be sold to some one who will treat it properly or be planted to forest. It will be the business of the Tennessee Valley Authority to suggest to the States within its area legislation that will end this destruction of their principal wealth and lay the foundation for a permanent agriculture.

Under present conditions the power resources of the region are being destroyed along with the farming resources. The waste of coal is evident, but the loss of water power is no less serious. For water power to be profitable there must be great storage reservoirs to equalize the flow between wet and dry seasons. Yet, so long as soil erosion continues unchecked, these reservoirs will fill with clay and their value will steadily decrease. A power company might be declaring dividends and its bonds regarded as gilt-edge investments, while its actual worth is falling because its storage reservoirs are being steadily filled with clay washed from the hillsides and carried down by the streams. Ought such water power to be developed, and then destroyed for all future generations? It may be that no water-power development

should be permitted without protection of its watershed from hillside washing.

For other reasons design and planning should be introduced into the use of water power. While the Tennessee Valley Authority Bill was in Congress, leaders of the private power companies appeared to protest most vigorously against the production of more water power. Yet, no sooner had the Tennessee Valley Authority been organized under the new law than applications began to come in for the right to develop additional water power on a large scale. Some control seems necessary to insure that the utilization of water power takes place in a systematic manner according to well-designed public policy.

There are so many other ways in which haphazard, unregulated growth is disastrous. The mountain regions of Kentucky, Tennessee, West Virginia, Virginia, North and South Carolina and Georgia are the last great bulwarks of individuality in America. Mass production both on farms and in factories has become characteristic of our national life. We have become used to living in crowds and we expect others to manage our affairs. We regard a man as almost abnormal if he enjoys his own company. But the Southern highlander is a different breed. He likes his family. He likes his communities. He likes rural life. But he has been without highways and railroads and has had no adequate markets. His income has been and is very small. Agriculture alone will not support him in comfort on his small hillside field. Today great industries are settling in his midst, attracted by the prospect of cheap labor. Some of these factories tend to destroy his type of civilization.

Repeatedly men come to me saying that they have great plans for the

Southern mountains, that with cheap labor and cheap power they can take an industry away from some Northern community. The Southern highlander is often regarded merely as cheap labor to be exploited, rather than as the representative of a valuable type of culture to be encouraged to evolve according to its own genius, and in the meanwhile to be protected from economic exploitation.

Is it not possible that a very desirable way of life may become characteristic of this region? Would it not be possible for the Southern highlander to preserve his present versatility and distinctiveness in personal and social life, and to develop small industries which, like those of France, are based on intelligence, individual taste and skill? The Tennessee Valley Authority has plans to this end. For many years Dr. Harcourt A. Morgan, one of the directors of the Authority, has sought to balance agricultural and industrial life in this region. The Authority has employed well-qualified engineers, agriculturists and scientists to study the area, to learn what can be locally produced and consumed, so that the living standards can be raised without unnecessarily increasing competition with the rest of the country.

The Southern highlander is not in a hurry. He has time to be hospitable. He is not trying "to keep up with the Joneses." He has dignity, independence and self-respect. Given the opportunity he will have time to create fine things in furniture, in clothing, in ceramics, in scientific instruments. He can be the individualist in American industrial life. With artistic and scientific guidance, he can make the goods America needs to take the curse off its mass production civilization. Every isolated valley can become the home of some kind of excellence peculiar to itself. Such a culture

requires a certain amount of leisureliness and independence which is not characteristic of an American industrial community. A factory manager who has gone from the North to a factory in the Southern highlands finds it disconcerting when his working force suddenly takes to the hills at the opening of the fishing season. Yet why should factories exist if men cannot escape from them when dogwood is in bloom and the bass are "biting good?"

With people of good stock, intelligence and energy, with power developed for the sake of those who use it, with a wide variety of natural resources, and with planning designed to develop the region and not to exploit it in the interests of non-resident owners, such a future seems not impossible. It is the business of the Tennessee Valley Authority to try to preserve the best in the culture of the region, encouraging it to develop according to its own genius, and to save it from the exploitation of mass production that is in search of cheap labor. Mass production will have a place in the design, but it should be servant and not master.

How can the Tennessee Valley Authority help to achieve its purposes? The progressive generation of electric power and its distribution to the rural communities that need it, is one method set forth in the law. A rumor is in circulation to the effect that a "joker" was slipped into the law by Senator Norris providing for government transmission of power and that this "joker" has now been discovered. The fact is that such a provision was fought out openly and above board and was the chief point of contention in Congress.

The Tennessee Valley Authority can help in the production of cheap fertilizers and instruct the farmers in

their use. It can campaign against soil erosion. It can promote good forestry methods. It can go in quest of natural resources to be utilized in the future. It can study industrial possibilities, encouraging enterprises where local needs are unfilled, and discouraging others when there is an oversupply. The authority can recommend State and local legislation to curb unscrupulous exploitation. For instance, selfish and mercenary real estate speculation at Muscle Shoals has caused great financial losses to purchasers in all parts of the United States and has largely destroyed the opportunity for the orderly and economical growth of that community. The Authority can encourage cooperative production and marketing in agriculture and small industry. It can help in moving families from abandoned mining and lumber camps to new communities planned and built to combine agriculture and industry. Many of these miners' families have been a charge on public charity for four years with no other relief in sight, for many mines will never open again in this generation.

In the building of the Cove Creek Dam, which is the first large construction job, the plan is to select intelligent and teachable young men from rural communities and to combine work with a training program. In this way twice as many workers can be taken off the unemployment lists. While half of them are working on a short week, the other half will

receive training in hygiene and sanitation, in home management, and in some skilled calling they can use later. After three or four years spent in building this great dam, these young men and their wives should be far better adapted to a new order.

Legal studies will be made to outline programs of local legislation dealing with land management, cooperative marketing, cooperative power distribution in rural areas, housing projects, the use and development of regional land and other conditions that enter into the orderly development of a region. A large number of foundations, social agencies, religious organizations, educational institutions, governmental departments and industrial corporations are offering to assist in this work. It is the business of the Tennessee Valley Authority to coordinate these various efforts, to prevent duplication and interference and to help bring about unity of purpose.

This description is necessarily indefinite and somewhat vague. The Tennessee Valley Authority is only a month old as this is being written. The systematic and effective planning of industrial and social life for a great region is an unprecedented undertaking in America. Much study and planning will be necessary. Substantial results will not come suddenly. The Tennessee Valley Authority must ask the patience and forbearance of the American people while the great project is taking form.

The Challenge to Organized Labor

By LEWIS L. LORWIN

[Dr. Lorwin, now on the staff of the Institute of Economics of the Brookings Institution, has had a varied career as public official, college teacher and newspaper correspondent. He was attached to the War Labor Policies Board in 1918-1919. To the various books he has written on economic and social subjects, he has just added his study, *The American Federation of Labor*, published by the Brookings Institution.]

FOR over three months now, since the National Industrial Recovery Administration has been trying to lead the country back or forward to prosperity, we have been alternately fascinated by the "battle of the codes" or the "race of wages and prices" or the bear-bull game of a stock market that has flirted with NIRA or the "prosperity drive." In our eagerness to march in step with the events of the day, we have found little time to dig into the deeper reaches of the economic and social changes which today is making for tomorrow. And yet that is urgently called for now. Under a more or less controlled economy, such as we have been promoting since we entered upon the path of prosperity by fiat, we must set our compass ever so often to gauge the direction in which we are going.

Even our meager three months' experience under the National Recovery Administration confirms what some pointed out before it came on the scene—that, under a controlled economy of the type we are fostering, three issues will rise to major importance. None of these issues is entirely new in character, but all three take on new forms. One is whether and how a price system can be made to run its

course so as to keep a proper balance between mass purchasing power and price levels. A second is how industrialists can be "cartelized" into large associations under fixed codes without setting up quasi-monopolistic policies and without destroying the opportunities of the small man to seek salvation in his own small way of painfully independent business. And third, and in some ways the most difficult, is by what methods are management and labor to be brought into a cooperative working relationship which the new industrial purpose obviously calls for. Our concern here is with this third question.

It is the contention of the writer that both employers and labor leaders in America fail to read the signs of the times and to see the impending changes in industrial relations and in labor policies. For three months now discussion of industrial relations has been carried on largely in old terms. The old slogans of collective bargaining, of trade unions versus company unions and of the "right to organize" have been shot back and forth in verbal battles before the tribunals of the Recovery Administration. Neither employers nor representatives of organized labor seem aware of the fact that a new economic set-up must mean a recasting of the old institutions which went with it. If we are to have a controlled economy, we can have neither the old system of unorganized industry nor the trade unionism of the old type, but something different that fits the general new scheme.

Such a new institution seems to me

already discernible on the horizon. It is what I have designated as quasi-public unionism—a new form of labor organization which is a synthesis of many elements and which seems destined to be an integral part of the industrial scheme toward which we are heading.

Many employers during the past three months have been quizzically wondering what the new dispensation holds for them with regard to labor policy. But most of the large employing corporations and anti-union employers' associations have stuck to their guns—not to recognize or deal with existing or newly formed trade unions and have resisted all efforts toward unionization made by their workers. They have fought the interpretation of collective bargaining which would confine it exclusively to negotiations between employers and independent labor organizations. To comply with the formal requirements of the Recovery Act, some of them have taken down from their shelves dust-covered plans of employee representation which have been lying there for years and have dressed them up for the duration of the act. On the assumption that what is happening today is merely an interlude between the old "new era" and the return of the "good old days," they have been playing for time and jockeying for position in the old battle which they know so well.

In other words, American employers are assuming today, as they have assumed for over a decade, that they can build up an American industry in which trade unions have no part. The reasons why American employers have been more hostile to trade unionism than perhaps employers in any other country are many and varied. But two reasons stand out as of dominant importance. One lies in the dynamic

character of American economic life. The rapid pace at which American industry developed, especially after the World War, made it particularly irksome for employers to bother with the rules and regulations which are of the essence of the old trade unionism. Employers could not be interested in the protective features of these rules and regulations. What employers were concerned with was the fact that union rules imposed not only higher wage rates but also restrictions upon their capacity to organize and re-organize their plants to suit managerial and sales policies, and to hire and fire in accordance with the changing needs of their plants and establishments. From the employers' point of view, trade unionism was an expensive business, preventing the cutting of costs and the adjusting of prices to an expanding market based upon the purchasing power of large numbers of low-income people.

The other reason for American opposition to unionism is social and psychological. It centres around the idea of control. In a country which denies the existence of classes it is the chief expression of the desire to use wealth so as to gratify one's desire for power and distinction. The right to run one's business as one pleases, translated from abstract legal into social terms, means the right to control the destinies of hundreds of thousands of human beings who have no other means of making a living except by selling their labor. It means using industrial control as a basis for political and social power. Unionism, from this point of view, is a challenge to the absolute rights of property, to the social domination of the property-owning groups and thus a nuisance in the daily relations between management and workers.

In a way, the employer groups in

the United States may point to the record of the last ten or fifteen years as proving their success in their efforts to eliminate trade unionism from American industry. With the exception of the building trades, the railroads and a few other trades, such as printing, clothing and amusements, trade unionism in America has been on the decline since 1925 and has formed a diminishing factor in industrial life. This success was achieved through a combination of personnel policies, welfare schemes and employe-representation plans, by means of which the "welfare capitalism" of 1925-29 believed it had adjusted relations between labor and management forever.

But the very success of the employers turned out to be a boomerang. Had the business leaders found the magic formula for the continuous and successful operation of our industrial system, they might perhaps have solved the problem. But their failure to do so, as shown in the disaster of 1930-33, made it inevitable that the workers of the country should question the very premises on which the employers' policy was based. It is being asked whether the absence of self-governing workers' organizations capable of representing fully the interest of labor in industry might not have served as a brake on the wheels when the economic machine began sliding downhill. In any case, the inability of the workers to fall back upon their own institutions forced them to seek aid from the government and was thus an important factor in bringing on the very governmental control which business traditionally abhorred. It is in part due to the labor policies of business that we have witnessed the remarkable change in the mentality of the large masses of the American people who have sud-

denly become governmentally minded and ready to place their economic destinies in the hands of political authority and State agencies.

And once embarked upon this path we must follow the logic of our own course. A controlled economy, if it means anything at all, will mean more orderly procedure. Progress will be achieved without our being hasty, feverish and speculative about it. We can set our rate of annual growth and have dynamics without bombastics. That will mean that one of the old causes of anti-unionism will be eliminated by the changing character of our new industrial set-up.

Neither can the old principle of running one's business as one pleases have any validity in a system in which all business is subject to control and government supervision. Under a régime which is predicated on the social responsibilities of business, there is no less, if not greater, urgency for limiting the power of employers to make labor policies as there is to regulate their trade and price practices.

While the new trend toward controlled economy spells the end of the "open shop," it is also a decisive challenge to the old-time trade unionism. No serious student of labor organizations can fail to appreciate the great and constructive part which they have played in the economic, political and social life of the Western World during the last fifty years. With all its faults and limitations, the trade union has been a potent factor, perhaps the most potent factor, in gaining for millions of wage earners a better living, more humane working conditions, leisure and a sense of self-respect. The very rules and regulations which unions have developed, and which have been the bane of employers, have been historically a great contribution toward the rational protection of human

resources. In an age when employers thought only of money costs and price, the trade unions forced attention upon human costs and the welfare of the worker. In an age when employers carried competition to destructive extremes, trade unions tried to standardize labor conditions and to eliminate some of the worst effects of competition upon industry and the wage earner. In an age when employers and managers were inclined to be arbitrary and arrogant, trade unions fought for the protection of human dignity in the shop and aimed at constitutional government in industry. At a time when wage earners were still regarded in the mass as the lesser ones in the body politic, the unions were a force in bringing to the masses education, sociability and training in democratic citizenship.

But past merits assure no one's future. The trade union of the old type is one of the institutions which are passing. This is a fact not merely in America. It is a world-wide phenomenon. In all industrial countries the old form of unionism, known as "free" trade unionism, is having difficulties in maintaining itself, where it has not been entirely destroyed. With the exception of a few countries, such as Switzerland, Sweden and Belgium, the free trade unions have been losing in membership and in industrial importance. The reasons for this are several. The free trade unions are voluntary associations for the purpose of improving the condition of their members by pooling their bargaining strength and using it collectively. The success of the trade unions is based on the assumption of a free and expandable capitalism with a margin between what industry pays out to the workers and what it can pay out if forced to do so by the economic pressure of the workers. In the ad-

vanced industrial countries this margin was considerable during the major part of the nineteenth century and also for a brief period after the war—between 1925 and 1929, largely as a result of technical progress and of the growing utilization of the undeveloped resources of the world.

The success of the free trade union was generally a phase of the success of a free *laissez-faire* industrialism. Competitive capitalism made it possible for trade unions to play one employer against another or to act as a stabilizing factor in industry in relation to labor costs by the methods of collective contracts and minimum standards. As already pointed out, under a system of competitive preoccupation with money costs and prices, the unions protected the human element in industry. This was beneficial to the economic system as a whole and was more or less vaguely recognized. True, trade unions caused economic losses through strikes, but these were tolerable and less serious than other competitive wastes. Though there was a continuous outcry against industrial strife, it was a comparatively small price to pay for economic freedom and industrial progress.

The free trade union was also part and parcel of the political and social set-up of *laissez-faire* industrialism. Competitive capitalism, grounded on political liberalism and representative democracy, needed a certain degree of legalized opposition for its successful functioning. All forms of opposition within the recognized limits were safety-valves for the system as a whole. For over a hundred years, this fact was the basis of the socio-political system which we now look back upon as the great era of democracy. In this system, the political party, the trade union, the cooperative society, the Socialist organizations

were all allowed to play a constructive part in promoting small but steady economic improvements which confirmed the general faith in the continuity of progress.

Even before 1929 this system was beginning to give way throughout the Western World. Today the trend in economics and politics is too clearly in the opposite direction to be mistaken. In one form or another, every Western country is trying to bring its economic system under some sort of central guidance and to give conscious direction to industrial activities. Our very capacity to produce enormously makes it necessary to determine in advance what and how much we should produce. The size of our plants and the great quantities of fixed capital they represent call for general concern in using the savings of the people for industrial expansion. The large and simultaneous development of the same industrial mechanisms in many countries has created a new competitive situation in the world market which forces us to try to make the most extensive use of national markets by systematic and coordinated measures. And last, but far from least, the economic insecurity due to the increasing instability of economic processes makes for impatience with industrial freedom and feeds the increasing demand for public regulation and economic control.

Parallel with these economic trends are the changes in politics and social life. There is less and less tolerance on the part of all people for obstructive tactics on the part of employers or workers. There is less patience on the part of the community with industrial strife and struggle. There is a general tendency on the part of whole nations to reduce the amount of group conflict and to enforce national stand-

ards of economic conduct at the cost of limiting individual and group action. Opposition is no longer valued as a constructive force. What is wanted is quick results with as little conflict as possible. Impatience with the political impasse created by the indefinite struggles of conflicting economic and social groups feeds the movement toward executive and dictatorial forms of government, even in countries traditionally devoted to political democracy.

The free trade union under these conditions has but little chance for survival. Being voluntary in character, it can muster the consent only of minority groups of workers in the skilled and semi-skilled trades. Being limited in resources, it cannot cope with the large investments needed now to organize in the new and highly mechanized industries. Based essentially on craft or trade, it cannot cope with the new technological conditions of industry. Being pragmatic and opportunistic, it cannot keep in step with scientific method which is becoming more and more the *sine qua non* of industrial policy. Having as its major weapon the right to strike, it is a possible factor of economic and social conflict which the community wants to limit. Founded on the principle of protecting the interests of special groups of workers first and foremost, it cannot easily rise to a national and social point of view.

All the difficulties of the old trade unionism have been brought to the surface during the last three months by the mechanics of the National Industrial Recovery Act. Only a few of the existing unions have proved at all capable even of presenting their own case forcefully and convincingly before the public tribunal. This is not to say that the unions have made

a poorer showing than the employers' organizations. But, with a few exceptions, they fell behind in the procession not only because they lacked funds and trained talent to present their case, but primarily because their method of bargaining fell short of the requirements of an economic set-up which in theory at least aims to replace higgling in the market by final appeal to the massed power of serried columns of statistics.

Were the old trade unionism to die without an heir, it would be necessary to find one for it, for there are certain functions in industry which cannot be properly performed except through the collective cooperation of the workers. First, such tasks as prevention of waste of materials, improving processes, bettering conditions of employment and maintaining morale cannot be properly carried out by being imposed from above under a system of public economic control. Second, promoting the larger economic and social welfare of the workers—in relation to housing, education, recreation—calls for active cooperation by the workers, management and the government. And, third, the interpretation of the rules of work and the adjudication of disagreements can be achieved with a minimum of coercion only if the workers can have a share in developing and using the facilities for a rational examination of facts and issues involved.

It is the recognition of these facts that lies at the root of the transformation of the old trade unionism of yesterday into the new quasi-public unionism of tomorrow. One may trace the beginnings of this change to the days of 1918-20 when unions in many countries of Europe obtained legal recognition for collective agreements, when labor courts, chambers of labor

and similar semi-legal bodies were established.

But the change has been assuming a wider character with the growing trend toward economic planning and control since 1925. Today we may see the quasi-public unionism in operation in various forms and stages of development in Italy, Germany, Russia, Spain and other countries. What distinguishes this new unionism from the old is the public recognition it has as part of the economic and administrative system of the country, and its participation in carrying on those constructive functions which have been already described as peculiarly its own. Because of this the new unions have the aid of the government in recruiting and keeping their membership and in carrying out the tasks which are their special province. Union membership is thus a normal condition of the workers and not a result of hazardous promotion by "labor agitators."

In all countries this quasi-public unionism is accompanied by important changes in structure. As a rule, the workers are regrouped in large industrial organizations—with craft subdivisions—to be able to deal with the larger problems of industry. Local shop and factory units play an active part in the life of the establishment, stimulating interest in problems of production and management. Collective bargaining is carried on under specified rules so as to reduce the amount of wasteful higgling and haggling. And all efforts are made to keep the workers informed of the larger meaning of the economic policies pursued so that their cooperation may be self-directive within the limits assigned. Such is the general outline, though it is marred by many deviations, as witnessed by the vary-

ing degrees of genuineness and freedom allowed to the workers' syndicates in Italy, to the newly reorganized unions of Germany and to the established industrial organizations of Soviet Russia.

All evidence points to the development of some form of quasi-public unionism also in the United States. Every step in the direction of enforcing codes of fair trade and labor practices reveals the fact that neither the government alone nor trade associations alone can fully police industry. Nor can the government maintain an objective national labor policy by its fiat alone. For both purposes the government needs the willing help of workers acting in an organized capacity. On the other hand, some of the labor unions are beginning to realize that the organization of the workers cannot be achieved without government aid, and that the unions must go into partnership with the government to achieve the basic purpose of giving the workers protection under the New Deal. This means that the unions

must make changes in structure and functions which would transform them into quasi-public organizations. Few American unions are as yet fully aware of the meaning of what they are doing, but such is the trend of the policies pursued within the past six months by the organizations of miners, clothing workers, railroad employes and others.

What the American form of the new unionism will be depends on the course of our economic life and on our ability to shape it more or less consciously. Under the National Industrial Recovery Act we have a chance of developing a more flexible and democratic type. This may not take place without a struggle. But the government has a great precedent and starting point in the War Labor Board of 1918. In the history and procedure of that body lie the roots of our own developments toward the quasi-public unionism discussed here and the basic ideas which can be harnessed in the service of our own American experiment.

America and the Russian Market

By MILES M. SHEROVER

[The May issue of this magazine contained an article on "Risks of Trade with Russia," by Vera Micheles Dean, research associate of the Foreign Policy Association. Another angle of the question is now presented by an American whose first-hand knowledge of Russia is based on several extended visits to that country and the experience he gained while employed as a business organizer by the Central Building Trust of the Soviet Union. Since his return to America he has become head of an investment organization for the distribution of Soviet securities in this country.]

THE question of Soviet Russia's financial standing has of late stirred the American public's interest in that country to a greater degree than at any time since the Bolsheviks took control of the State in 1917. The attention of government and business circles has been focused on Moscow by the necessity of expanding our foreign trade, by the immense possibilities of the Russian market and the almost complete collapse of our exports to Soviet Russia, which had reached the total of \$114,000,000 in 1930.

Is Soviet Russia a good credit risk? The average business man judges a credit risk by the double standard of ability and willingness to pay. Soviet Russia, which has established a precedent by disregarding precedents, has set at naught the doubts and warnings of many American bankers and business men by coming through the world crisis with an enviable record of meeting all her foreign obligations promptly. In an era of unparalleled, world-wide upheaval, when moratoria, defaults and bankruptcies

have been the order of the day in many a heretofore prosperous country, Soviet Russia has asked for no commercial quarter from her foreign creditors, has had no resort to extensions or "standstill" agreements, but has simply arranged to have hard American dollars in the bank on the day when her notes fell due.

Most of the nations that have experienced difficulties in meeting their external obligations have pleaded catastrophic declines in commodity and raw-material prices as justification for debt postponement. Russia, however, whose principal exports are commodities like wheat, lumber, oil, furs and food products, the prices of which fell to 50 per cent and in some cases to 25 per cent of their 1929 levels, never pointed to reduced export revenue when bills for imports fell due. Not only did Russia meet all her foreign commitments on time, but, contrary to the world trend of diminishing foreign trade, during 1930 and 1931 she actually increased her imports from abroad, her purchases in 1931 being 1,105,000,000 rubles, as against 836,300,000 in the year 1928-1929 of the Five-Year Plan.

An analysis of the methods by which Russia's financial solvency has been maintained reveals a trade strategy which many nations are likely to adopt in the future. Already a number of European countries, especially Germany, have inaugurated a governmental control of the import and export business that represents a radical departure from the *laissez-faire* at-

titude of classical capitalist economy. "Planned economy" has of late become a loose term—a sort of magician's silk hat out of which Russia has been pulling all the achievements associated with her industrial progress. Nevertheless, the secret of her success in maintaining a balance in her international accounts must be sought in the Soviet system of planned national economy. Arrangements to meet foreign obligations as they become due are an essential part of Soviet planning. Actually how does a planned economy function in the realm of imports and exports and how can any national economy, however well planned, escape disaster in its international calculations when next year's bushel of wheat which was selling at \$1.25 at the time the plan was being blueprinted nets only 50 cents when it reaches Liverpool? Also, what if, as the result of a bad crop, there is no wheat to sell?

The procedure followed is strikingly elementary. The fundamental rule established is that before any commitments can be made abroad, the funds must be on hand or certain to be available when the payment for the order becomes due. No matter how urgently certain equipment may be needed, no order will be signed for it unless the proper authorities have certified that provision has been made to meet the bill at maturity.

To begin with, the country's entire foreign trade is a monopoly concentrated in one organization, the Commissariat for Foreign Trade. In planning exports and imports this Commissariat has at its command all pertinent data gathered and analyzed by the State Planning Commission (Gosplan). This central planning body studies the productive capacity and natural resources of the country from the point of view of what can be most

easily produced and most readily spared and exported to bring the largest possible return. A close analysis is constantly made by the Commissariat for Foreign Trade of actual and potential foreign markets and their capacity for absorbing such products as Russia can ship. In this Commissariat are concentrated a group of men who would be the leading export and import traders of other countries. Close contact is maintained with the lumber trust, the oil trust, the wheat trust, the mining trusts and all Russia's other productive enterprises.

Basing their calculations on the record of past production plus the quantities to become available by reason of the increase and expansion of plant capacity and the growing industrial efficiency of the country, the various producing trusts of the Soviet Union estimate their future exportable surplus. All these estimates are coordinated, existing price contracts and possible world price fluctuations are taken into consideration and a minimum figure that is likely to be realized on all exports is finally determined. To this figure are added the country's estimated gold production and the revenues likely to be received from the tourist traffic, remittances from abroad, the Torgsin stores, and other invisible items in the international balance of payments.

From this total all payments falling due within a given year are deducted. The balance establishes the limit for purchases to be made abroad by the import department of the Commissariat for Foreign Trade. The amount that will be available is then apportioned among the various branches of the national economy in need of imported equipment or products. Preference, of course, is given to those major industries which are of most vital importance in the country's produc-

tive scheme as a whole. In placing orders the commitments are segregated according to the years in which they fall due. All payments falling due in the year in which orders are placed are kept strictly within the limits established as already described. Obligations for future years are entered into with an ample margin of safety.

In capitalist nations, on the other hand, instead of this ordered control of imports, there exists a comparative anarchy in supplying the country's need of foreign products. Numberless importers compete with each other regardless of the possibilities of the country as a whole to secure sufficient foreign credits to meet a possible adverse balance of trade. Often excessive stocks of imported merchandise are brought in by individual traders, who thought the goods were cheap or felt they could be retailed quickly at a profit. If the individual trader guesses right, he fares well; if not, he goes bankrupt and the losses entailed are borne by the entire country in the form of higher prices charged by exporters to cover such contingencies.

While the Russian blueprint method of charting a nation's international trade has obvious elements of strength, it may be asked what provision has been made to meet such unprecedented price fluctuations as we have seen during the last four years. It is here that the Soviet system has shown remarkable resourcefulness and elasticity. Even in normal times an appreciable percentage of the credits extended by exporters to their foreign customers are lost through the bankruptcy of the purchaser. In the last four years this mortality has considerably increased. But, in addition to this factor, we have recently seen the spectacle of whole nations going into bankruptcy and even prohibiting

their solvent traders from paying their debts to foreign firms.

The Soviet Government, on the other hand, exercises several forms of control to insure safety, if its sales abroad fail to produce the credit balances it has anticipated. In the first place, it can immediately reduce its purchases abroad. Secondly, the government, having complete command of the country's resources and productive capacity, can modify its export plan, changing the respective shares in total exports apportioned to the various commodities, so that gaps in certain lines are compensated for by increased exports of other commodities. Finally, there are the gold production and the gold reserve of the country to be called upon in case of need to meet adverse trade balances. The Soviet Union has had to resort to all three of these measures in varying degrees since 1921. When, however, prices are realized in excess of those anticipated, the Commissariat of Foreign Trade takes advantage of the additional resources thus created to increase its purchases abroad.

In addition to the control of foreign trade, there are several other factors which explain Russia's ability to meet her foreign obligations. The country is developing her resources under her first and second Five-Year Plans, which, whatever their handicaps, are undoubtedly a step ahead of the anarchic system of production and distribution of other countries. Under the first Five-Year Plan, the basic tasks of which were substantially completed in four and a quarter years, Russia more than doubled her industrial production (1932 output represented an increase of 119 per cent over 1928) and enjoyed an increased national income of 85 per cent. During that period the Soviet Union rose from fifth to second place in indus-

trial output among the nations of the world, and became transformed from a country of unemployment to one in which there is an actual shortage of labor. Secondly, the Soviet Union is one of the few countries in the world that have not been suffering in recent years from an unbalanced budget. Budgetary receipts exceeded estimates by 1,985,226,000 rubles in 1931 and, according to preliminary data, by more than 2,000,000,000 rubles in 1932, thus providing additional sums for the government's industrial investment program. Furthermore, having practically no external bonded indebtedness and only a relatively small amount of current short-term foreign obligations, Soviet Russia is free of the debt service burden which has unsettled most of the debtor nations of the world.

If the fifteen years of Soviet Russia's existence had been calm, with a stable price level, complete international cooperation and free access to the commodities and capital of the world, her record of prompt payment would have been impressive enough. Soviet Russia, on the contrary, has been excluded as a free purchaser and borrower, and her ability to build up export balances in America has been hampered by a constant stream of embargoes, investigations, allegations of convict labor, anti-dumping restrictions and all sorts of objections which unfriendly politicians and business interests have poured forth—in spite of the fact that Soviet exports to the United States, up to 1932, averaged only one-fifth of its purchases here.

Not only has the Soviet Union scrupulously fulfilled its promises, but during this period it has brought into being its Dnieprostroy, its Nizhni-Novgorod, its Magnitostroy, its Stalingrad and its countless other industrial developments which were scarce-

ly conceived of a short six years ago. In any other country industrial expansion of this magnitude would have been financed by means of external loans. Denied access to the foreign loan market, Russia has had to build entirely with her own internal resources. Of the immense capital investments required by the first Five-Year Plan from 85 to 90 per cent has been paid for out of current budgetary revenue. But the results achieved are of historic significance.

Russia has entered her second Five-Year Plan with the foundations laid for rapid industrial progress. Her basic heavy industries have been expanded to three and four times their 1913 capacity and scores of new industries have been created. All this nationally owned plant and equipment is practically free of mortgage. Soviet Russia's foreign bonded indebtedness is less than that of any other European or South American country today.

In this connection, Russia has the further advantage of a monetary system well adapted to the Soviet economic structure. Whereas all her external business is conducted on a gold basis, or in the currencies of the countries with which she trades, her internal economy is carried on with a managed or controlled currency. The planned character of Soviet economy has made possible the operation of a monetary system in complete accord with the purposes of Soviet economy.

In evaluating the safety of foreign credits to Russia, one must not overlook the fact that the Soviet Union is one of the world's leading gold-producing countries. Russia knew that gold would be an increasing factor in her ability to enlarge her volume of imports and not the least of the efforts of the first and second Five-Year Plans have been devoted to the gold mining industry. It is estimated

that the country's gold mining operations yielded about \$35,000,000 in 1931. Production has doubled in the past three years and prospecting on a wide scale is being carried on in hitherto unexplored regions of Siberia and the Far North. By the end of the second Five-Year Plan it is expected that gold production equaling that of South Africa will be attained.

The gold and precious metal reserve of the note issue department of the State Bank of the Soviet Union was 732,000,000 gold rubles (approximately \$500,000,000 at present rates of exchange) on Sept. 1, 1932. In addition to this reserve the Soviet State possesses an undetermined, invisible supply of gold and foreign exchange (through the Torgsin stores) in the hands of its population, the result of the hoarding habits of the Russian peasantry under Czarism and during the turmoil after the revolution. How large this hidden reserve is can be gauged by the fact that the government's policy during the last two years of selling special goods to the population in exchange for its gold has brought in a sum estimated by Walter Duranty, Moscow correspondent of *The New York Times*, at approximately \$75,000,000 during the year 1932.

By the criteria of ability to pay and of the record of payments maintained during nearly sixteen years of existence, the credit of the Soviet Union should be considered unimpeachable. What, then, has clouded the question of Soviet Russia's credit standing? The one invariable argument encountered is that there are millions of dollars of Russian Czarist bonds held by American citizens which have not been paid. Regardless of the fact that there are today literally several billion dollars' worth of bonds of other

nations which are in default and which undoubtedly will never be paid, let us look at the facts behind Russia's repudiation and see to what extent the charge of bad faith is justified.

Let it be said, even at the risk of repetition, that in the eyes of the Russian people the repudiation of the Czarist debt bears every moral, historical and even legal justification. These debts were never the voluntary obligations of the Russian people; they were never contracted by duly authorized and democratically elected representatives of the population. In July, 1906, the majority of the dispersed members of the first popularly elected Duma, in which radicals constituted only a small fraction, issued the famous Viborg Manifesto in which it warned the world that loans contracted by the Czarist Government "without the consent of your popular representatives are null and void. The Russian people will never recognize them and it will not feel itself called upon to repay them."

The Czarist Government, it must not be forgotten, was in a continual state of warfare with its own people for decades before the successful revolution of 1917. To finance these internal campaigns against the people the Czar's Ministers resorted to loans which French and German bankers were only too ready to grant for the sake of securing the Czar's military aid for their own international intrigues. That these loans were used to finance the Czar's terrorist régime and his suppression of popular uprisings is historically established. American investors fortunately bought none of these bonds until 1916 when, in spite of the unmistakable signs of rapid disintegration of the Czarist State, American bankers floated a Russian "war loan" in the United States.

The Russians are as jealous of their honor as are the people of any country. It was distinctly as a matter of honor and devotion to principle that they refused to pay the debts the contracting of which they had opposed by every means of expression available to them, and the purpose of which was to strengthen Czarist tyranny.

The only other ground given for the mistrust of the Soviet Government is that its control is in the hands of the Communist party and that Communists as a matter of policy would have no compunction in repudiating a debt if it were to their advantage to do so. This is a naïve point of view. The Communists are realists and as statesmen are no less practical than are those of any capitalist country. Business relations between coexisting Communist and capitalist States are inevitable because they are mutually profitable and desirable, and the Soviet Government realizes that such business relations would come to a quick halt at the first evidence of any default or bad faith on its part. Whereas the credit of a capitalist nation is nowadays scarcely injured by a default, since no question of principle is involved, a default by the Soviet Government would completely ruin its credit. Nobody appreciates this better than do the Communist leaders of Soviet Russia, and this helps to explain the extreme lengths to which they have gone to raise the funds necessary to maintain an unblemished record. To quote Colonel Cooper, the builder of Dnieprostroy, whose business contacts with the Soviets have extended over the past seven years, "the Russians will either pay or die."

Many people argue that the question of Russian-American trade rela-

tions is of only passing importance, for they feel that as Soviet industrialization progresses, the market for American goods in Russia will tend to disappear. Nothing could be further from the truth. Soviet Russia is not endeavoring to isolate herself economically but looks forward to an increasingly important place in the ranks of world-trading nations.

The second Five-Year Plan, the groundwork for which has already been laid, is far more ambitious in scope than its predecessor. While the advance in the heavy industries is to continue unabatedly, greater stress will be laid on the production of consumers' goods with a view to doubling or trebling output. All economic history substantiates the fact that a higher standard of living goes hand in hand with an increased foreign trade. That Soviet Russia is constantly striving to raise the standard of living of her people is undisputed.

Undoubtedly the sentiment for stimulating Russian-American trade relations is stronger today than at any time in the past fifteen years. Industrialists, merchants and statesmen have openly advocated the abandonment of our heretofore hostile policy toward Soviet Russia. One element in the business community, however, namely the bankers, have remained steadfast to their preconceived ideas, unmoved by irrefutable facts.

The tragedy of the bankers' unremitting antagonism toward Soviet Russia lies not in the fact that they have lost profitable business for themselves, but rather that in declining to finance American exports to that country, they have deprived American labor of hundreds of millions of dollars in needed wages. Incredible as it may seem, these same bankers have in the meanwhile been financing European countries and manufacturers

who, in turn, invested our funds in Russian business. The bankers' theory was that, while they were unwilling to lend money directly to Russia, they were obtaining an unquestioned guarantee of principal and interest through the intermediary of a third party, for example, Germany.

Three years ago the writer pointed out in an article on this subject that European sureties for Soviet obligations were not only useless, but had the effect of taking business out of America and placing it in the hands of our competitors. The events of the past two years have demonstrated that the business and money are both gone. Meanwhile, Russia, whom our bankers would not trust directly, had paid her debts regularly to Germany and to other nations whom we did trust. These payments, however, have not been transferred to us but have been tied up by Germany's "stand-still" agreements, which, in plain English, means "We do not pay."

The bankers' attitude can be changed only by the pressure of enlightened business opinion and the establishment of normal relations between the United States and the Soviet Union. Political recognition of the Soviet Government and the settlement of all outstanding disputes between the two countries is essential if there is to be a mutually satisfac-

tory trade and credit relationship.

Meanwhile, idle factories and workers should not be compelled to wait for the gradual evolution of financial opinion. The recent \$4,000,000 loan of the Reconstruction Finance Corporation to finance cotton shipments through the Amtorg Trading Corporation points to the road for the development of this business. How important an influence Soviet business can have on improving the present prospects for the revival in American industry can be gauged from the recent statement made by Foreign Commissar Litvinov at the London Economic Conference when he announced Soviet Russia's readiness to purchase \$1,000,000,000 worth of machinery, equipment, raw material and live stock, provided satisfactory credit terms and normal conditions for Soviet exports could be arranged.

Obviously, Russian-American trade relations must remain relatively chaotic so long as emotion rather than reason dictates our course of action. We can never secure this inviting \$1,000,000,000 market while prejudice perverts logic. So long as directors, bankers and executives of American business react to the mention of Soviet Russia with nerves instead of with thought, we must remain onlookers while others irretrievably capture what should rightfully be ours.

White Failure in the East Indies

By THOMAS STEEP

[A newspaper correspondent with long and varied experience, Mr. Steep was formerly in charge of the Far Eastern service of the *New York Herald Tribune*.]

THE world-wide economic depression struck equatorial Asia with the force of a typhoon. Its three years' fury has reduced the white man to a plight hardly calculated to sustain his prestige among the native Asiatics. In Java, richest of all the Dutch colonies, 3,000,000 tons of sugar lie in warehouses, unsalable even at prices below the cost of production; 175 sugar mills have shut down and 500,000 acres of sugar cane have been abandoned. Soon the wooden plow and the water buffalo of the native will convert them into rice paddies. Vast plantations of rubber trees, planted when it was confidently believed that the world's demand for rubber automobile tires would never diminish, have returned to the jungle of the black panther, the one-horned rhinoceros and the anthropoid ape. In Sumatra, Borneo, Celebes and New Guinea industrial stagnation has settled on markets once lively with trade in tin, teakwood, sandalwood, spices, rubber, beeswax, rattan, tapioca, indigo, coffee, sugar, camphor, copra, quinine, dyestuffs and lizard skins.

The Dutch East Indies provide a striking epitome of the universal depression. From these islands the world obtained 40 per cent of its rubber, 28 per cent of its tin, 95 per cent of its quinine and a vast quantity of tropical products. Yet the total value of exports, exclusive of gold and silver bullion, has dropped from 1,442,067,-

000 florins (\$576,826,800) in 1929 to 547,800,000 florins (\$217,120,000) in 1932. The decline in the first half of 1933, for which figures are not yet available, is believed to be even greater than in any of the previous three years. Rubber exports declined in 1932 to one-fifth of what they had been at their peak; in 1933 they have shrunk to almost nothing. The decline in the export of sugar, pepper, rattan, tree gums (for varnish) and tin has also reached a ruinous level.

The following table shows the comparative value in florins of the exports of fourteen commodities for the years 1929 and 1932:

	1929.	1932.
Sugar	306,900,000	97,800,000
Rubber	231,330,000	34,100,000
Petroleum products	175,400,000	96,100,000
Tobacco	85,880,000	52,500,000
Tea	86,090,000	32,600,000
Copra	95,280,000	42,100,000
Tin	77,510,000	18,100,000
Coffee	69,550,000	35,200,000
Pepper	48,300,000	16,100,000
Palm oil	12,100,000	11,800,000
Cinchona bark	10,400,000	8,200,000
Rattan	7,100,000	2,400,000
Tree gums	11,900,000	2,500,000
Kapok (fibre)	13,410,000	8,200,000

The government of the Netherlands, of course, has resorted to every practical means to mitigate the effect of the depression in its East Indian colonies. It has effected an agreement with the tea and sugar growing countries to curtail production in these commodities; it is now seeking an arrangement with Great Britain to limit the output of rubber and it is encouraging the growing of more domestic rice to save the money spent on rice imported for native consumption. But so far these measures have been inadequate.

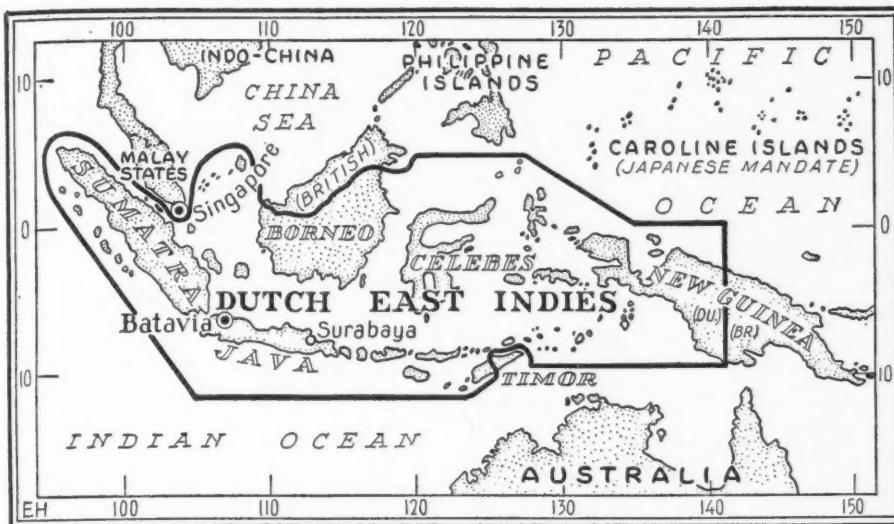
Hard times have forced the white man to leave these islands where he feared to lose "face" with the natives. In Surabaya, the "little Paris of the East" and the metropolis of Java, entire blocks of business houses bearing Dutch, German, Swiss, French and English names have been boarded up and their wharves are idle. The European merchant prince has sold his villa and departed, leaving his employes—the engineer, agricultural expert, chemist, planter and clerk—whose wages have been greatly reduced or not paid at all, to get home as best they can. In some instances the employer has been unable to give his workers the customary three months' pay with which to buy a passage. Enough European workers, either because of a lack of money or because of a fear of substituting idleness at home for idleness in the tropics, have disappeared into the squalid native villages, the kompongs, where their very presence suggests to the Malay and Chinese that the white man's superiority was not as great as it was supposed to be.

The Chinese, who outnumber all other foreigners combined, have joined the exodus. Migrating to the islands even before the Dutch acquired possession in 1602, the Chinese, by sticking doggedly to business and avoiding the squabbles of the Portuguese, English and Dutch, achieved success and amassed fortunes. They became influential in the gold and diamond mines of Western Borneo, in the tin mines of Banka and Biliton, in the tobacco industry of Sumatra and in real estate investments and small manufactures everywhere. A whole block of the waterfront in Surabaya was, until recently, owned by a Chinese who lived in a luxurious villa and was accounted a financial satrap. The Chi-

nese made batik for the natives, shoes for the Europeans and wealth for themselves. But they were caught in the white man's economic collapse, and thousands of them are now stampeding aboard ships bound for Canton, some cannily concealing in their blouses bags of golden guilders, others with no more than rice-cooking implements, but they, too, are skeptical of the desirability of Western civilization and of the efficiency of Western industrialists.

The lure of the Dutch East Indies for the European has existed for generations, but it reached its height during the boom period, when it appeared that the Western world would continue to be an insatiable market for copra as a basis for facial creams, for sugar to supply syrups and candies, for lizard and crocodile skins to make women's shoes and handbags, for Sumatra wrappers for cigars, for spices and for a thousand exotic luxuries that grow in the tropics. Before 1929 the foreign population—other than the Chinese—increased by 250,000 Europeans, who were attracted by good wages and a comfortable standard of living. Seven-eighths of these were Dutch; the rest were German, English, French and Swiss.

No other corner of the world seemed to promise so abundantly, according to the taste of the foreigner, adventure, ease or fabulous fortune. Here, set in sparkling seas, was the Molucca group, whose very name—"the spice islands"—hinted of romantic repose; there was Borneo, where the indolent might scrape gold dust and diamonds from the hillsides, or, by extracting the sap of the sago-palm and pressing it into a cake, provide themselves by one day's leisurely labor with food sufficient for a month; Sumatra with its backbone of unscaled mountains and



The Dutch East Indies

unexplored jungles, inhabited by the black panther, elephant, rhinoceros, orang-utan, tiger, flying monkey and gibbon; and, the gem of them all, Java, where the white man, because he was white, could command natives to serve him soothing drinks, luscious tropical food and Sumatra cigars while he sat on a shaded veranda, profitably managing a sugar or rubber plantation. Many of the adventurers, who arrived intending soon to return home rich, remained to sleep away the years in the orchid-laden villas of Batavia—where there are no business signs visible save those of insurance agents—or were caught up in the commercial activities of busy Surabaya.

The riches of the Dutch East Indies, even if partly abandoned to the wilderness, await to be exploited by new adventurers. That may not be long, for the economic change which has precipitated the white man's flight from the East Indies portends a shifting of political influences in the Far East. Already Japan has indicated its

desire to step in as the white man steps out. To the Dutch Government the Japanese have suggested cooperation in the Far East and have even proposed Japanese colonization on one of the islands.

The Japanese attitude is undoubtedly in part the result of being shut out from the great trade of India. On April 12, 1933, the British Government notified Japan of its intention to abrogate the Indo-Japanese trade treaty, in force since 1904; soon afterward a 50 per cent duty was imposed on cotton goods imported into India from Japan. The Tokyo Foreign Office described the British Government's action as "an aggressive tariff policy against Japan" and as "a matter of life and death" with Japan since it excluded Japanese goods "from an empire which embraced a sixth of the globe." On June 8 the Japan Cotton Spinners' Federation, as a retaliatory measure, voted to cease buying raw cotton from India. The Tokyo *Nichi Nichi* said: "The chief motive of Great Britain in denouncing

the treaty is a desire to oppress Japanese industries which are increasingly in competition with the British in the India market. Presumably Great Britain would see India out of all trade relations with Japan."

The rivalry for India's trade had been intensified by the use of a new weapon, depreciated currency. When Great Britain went off the gold standard in 1931, its business in India increased enormously, because Indian money could then buy British goods advantageously. But a few months later Japan also abandoned gold, the yen dropped and the natives of India, indifferent to British protests about cheap labor and subsidized ships, gave their patronage to the Japanese. Japanese business with India in 1932 was double that of the previous year. Japanese spinners, indulging in the belief that they were to enjoy a prolonged boom, increased their capacity by more than 1,000,000 spindles. They visualized a monopoly of the cheap cotton goods business in India. Then Great Britain suddenly imposed a prohibitive tariff against Japanese imports; Japanese spindles and looms abruptly stopped. The effect as described by the *Japan Advertiser* of Tokyo was "disastrous."

In search of new markets for the goods which had been excluded from India, Japan looked toward the Dutch East Indies. Even earlier Yosuke Matsuoka, Japan's chief delegate at the League of Nations, had visited The Hague and had informed the Dutch Government that Japan desired to cooperate in the development of the islands bordering on the Pacific. He likewise urged the desirability of Japanese immigration to Dutch East Guinea and the adjoining islands. But he hastened to assure the Dutch that his country's intentions were pacific.

Alarmed by this gesture, however friendly, and by reports that Japan, without the formality of negotiations, was planning a system of air bases on some of the outlying islands of New Guinea, to connect with existing air bases in the Japanese mandated islands in the Pacific, the Dutch ordered the Borneo militia to be on the alert. The little Dutch colonial navy and the Dutch colonial army of 40,000 men and officers elsewhere in the islands were mobilized. Apprehension spread that Japan, encouraged by easy victories in Manchuria and North China, was seeking to extend her empire toward the Equator, where there are 53,000,000 prospective consumers.

The British also were disturbed, for their stake is more than their possessions in New Guinea and North Borneo. A straight line drawn from Singapore to Australia and New Zealand cuts across the East Indian archipelago. Singapore, 8,200 miles from London, is the guardian and metropolis of the Malacca Strait, through which a large part of British trade passes to Australia, to New Zealand and to Hongkong. At Singapore the British have built a naval base—the largest in the Far East outside Japan—which in the opinion of British naval strategists was avowedly a move to check possible Japanese aggression toward British possessions south of the Equator. Certainly the Japanese considered the construction of the base as a hostile move. While the British Parliament wrangled over the desirability of expending the necessarily stupendous sums on the project, Japanese jingoes contended that the presence at Singapore, 3,000 miles from Yokohama, of a floating dock capable of receiving the largest battleship, of vast fuel oil storage tanks, of machine shops, barracks and a

wharf six miles long, was nothing less than an affront to Japan and was designed to discourage Japan from pushing into the South Seas. The fact that the money for the building of the Singapore base was for the most part provided by the Federated Malay States, Australia, New Zealand and Hongkong seemed to express a latent fear in those British possessions that Japan some time in the future might be a potential menace to them. That fear has been revived by the overtures of the Japanese to the Dutch Government. If the Japanese should gain a foothold in the Dutch East Indies, they would insert a hostile wedge between Singapore and Australia.

Cooperation by Japan in the economic resuscitation of the Dutch islands and colonization in New Guinea, as suggested by Mr. Matsuoka, would enable her greatly to extend her tropical ventures already begun in Formosa, to increase her supply of raw

materials and to expand her market for cotton goods and manufactured articles. Japanese economic penetration of the islands would be easy. They would form an objective for any naval or air base she might establish in the Caroline Islands, the nearest of her mandate groups, and their inclusion in the Japanese sphere of influence would be consistent with the Japanese policy to dominate Asia.

The policy of Asia for the Asiatics, which has been interpreted by some to mean Asia for the Japanese, has gained momentum proportionate to the decline of the white man's prestige. That prestige was created by force and maintained by appearances—wealth, lavish living and an assumed superiority. Force is no longer applied and the Asiatics, particularly the Japanese, are no longer impressed by appearances—especially since the most striking is now the white man's return home, destitute.

The Drive for a Minimum Wage

By ETHEL M. JOHNSON

[The author of the following article was for twelve years one of the commissioners of the Massachusetts Department of Labor and Industries, and in that capacity supervised the administration of the State's minimum-wage law. Miss Johnson is now assisting the State of New Hampshire to organize the administration of its new minimum-wage act.]

WHEN the story of the depression is finally written, one of its sorriest chapters will deal with the attempt of less enlightened employers to break down industrial standards and to reap a profit in the midst of widespread suffering by a return to sweatshop wages and working conditions. On the other hand, those employers who have maintained decent standards while striving to keep their factories going and their employes at work have been seriously handicapped. They have been forced to meet competition from parasitic industries that exploited both the worker and the taxpayer through wages so far below the cost of living that they have been, in effect, subsidized by the community.

What do such wages mean to women who give their labor in exchange for \$4 or \$5 a week or even less, or to reputable employers who must sell their goods in the same market with the sweatshop products, or to taxpayers staggering under a burden made heavier by the increasing load of public relief and private charity, or to the public that purchases the products of such labor? How many prospective purchasers, looking at the "astonishing bargains" in dainty lingerie and smart frocks offered at prices

only a little above the retail cost of the materials, ask themselves what part of that slender margin went to the women who worked on the garments? How many, recalling the bitter lines from Hood's "Song of the Shirt," ponder on the re-establishment of the sweatshop in the United States?

It was to do away with sweatshop conditions that minimum-wage laws were first enacted. The purpose of such legislation is to protect workers with little bargaining power—in this country, women and minors—from wages inadequate for decent, healthful living, and to protect society from the injurious effects of such wages. The minimum wage is the lowest wage that may legally be paid; it represents a level below which wages must not fall. Employers may pay as much more than the minimum rates as they wish, but they must not pay their employes less than these rates, which in the past have usually been based on the cost of living.

Minimum-wage legislation rests on the theory that industry has some obligation to its employes, that if it requires all their working time, it should pay them at least enough to meet the cost of living instead of passing part of this cost on to society. It assumes on the part of the State a responsibility for looking after those individuals who are economically weakest and for protecting them against exploitation.

The first real minimum-wage legislation was enacted in 1896 by the Australian State of Victoria. In 1909

Great Britain passed the Trades Board Act, establishing boards to set minimum rates of wages for certain low-paid or sweated industries. Minimum-wage legislation in the United States began with the enactment of the Massachusetts law in 1912; the following year minimum-wage laws were passed by eight States—California, Colorado, Minnesota, Nebraska, Oregon, Utah, Washington and Wisconsin. During the next ten years minimum-wage laws were enacted in eight more States and territories—Arizona, Arkansas, Kansas, Texas, North Dakota, South Dakota, the District of Columbia and Puerto Rico.

These laws differ in some of their provisions, the most important distinction being that one—the Massachusetts law—is recommendatory. The others are mandatory; that is, they carry a penalty, such as fine or imprisonment, for failure on the part of employers to pay wages at least as high as the established minimum rates. The commission administering the Massachusetts law may decree minimum rates but cannot compel employers to pay them. Its powers are confined to recommending the scale that should be met, and publishing the names of employers who fail or refuse to meet it. While the laws of most States provide for a special administrative body and for wage boards composed of representatives of employers, employes and the public to formulate the minimum rates, in several instances the rate is fixed in the law itself.

Minimum-wage legislation in Australia, Canada and Great Britain has been on the whole remarkably successful; but in the United States similar legislation has had a stormy history. Unlike the British system, American minimum-wage laws apply

only to women and minors, not to men. This and other differences probably arise from the different industrial conditions of the two countries and from the extent to which the workers are organized. The laws in America were hampered from the first by court proceedings and finally, in 1923, the United States Supreme Court declared the mandatory minimum-wage law of the District of Columbia unconstitutional. Again, in 1925 and 1927, the court held the Arizona and Arkansas laws in turn invalid. State action, following the Federal precedent, annulled or repealed several other laws, until at the time the depression began only a few laws were in operation, and these for the most part had little effect.

The depression brought wage cuts—some in accordance with the drop in the cost of living, others out of all proportion to the fall in prices. Those who suffered most were the unskilled and unorganized workers, many of whom were women and minors. Unscrupulous employers took advantage of the general distress and paid wages that bore no relation to the value of the services rendered or to living costs.

Eastern garment shops appeared to be the worst offenders, though they were by no means alone in paying starvation wages. Extremely low wages were found in some of the shops making radio parts, toys and sporting goods, paper boxes, candy, artificial flowers, lamp shades and various specialties as well as in some of the textile factories and shoe-findings plants. Many of these shops, particularly those making clothes, operated on very little capital. The owners migrated from sections where labor was well organized and labor laws vigorously enforced to localities where

unions did not exist and conditions appeared more favorable to less reputable employers. Sometimes Better Business Bureaus or Chamber of Commerce secretaries, in their efforts to achieve industrial expansion, attracted these parasitic industries to their communities by offers of free rent or other concessions.

In a certain Pennsylvania community the Chamber of Commerce is said to have paid \$2,500 to bring a shirt factory to the town. The average wage paid by the factory was about \$3 a week. After a few months, the factory moved to another locality, where a similar inducement was offered, and where the owners continued to pay the same low wages. Still more unfortunate was another community in that State. The Chamber of Commerce paid \$1,000 and gave free rent, light and heat to induce a suitcase factory to locate in the town. After a stay of seven weeks the concern departed, leaving no assets and without having paid a single cent in wages.

A number of these "runaway" shops with low wage standards, attracted by the prospect of cheap labor and concessions offered by local industrial bureaus, migrated from New York to Massachusetts and Connecticut, where they created serious problems. The representative of a welfare agency in a large Massachusetts city complained that the relief organizations had to carry a needlessly heavy burden because of the starvation wages paid by some of the new industries that had located there. In some instances organized labor, recognizing the threat to its hard-won standards by these unregulated conditions, tried to help. In Lawrence, Mass., for example, an aggressive young labor official led a group of unorganized and frightened girls in a strike against

low wages and bad working conditions, and secured an increase of several dollars a week for these employes. A newspaper woman, learning of the deplorable conditions in some of the textile centres where new industries of the mushroom type were springing up over night, determined to obtain the facts at first hand. In the guise of an applicant for a job, she visited a number of the shops and found definite confirmation of the reports. Following her disclosures, an official investigation was conducted. There were some cases of wages as low as 5 cents an hour.

The secretary of the Massachusetts Consumers League, in the latter part of 1932, disclosed that certain shops in the western part of the State were paying wages as low as 1 cent an hour. The Department of Labor and Factory Inspection of Connecticut reported that contract shops in the clothing industry that migrate from other States "employ very young girls, pay little or no wages and use the excuse of a learning period to pay nothing in some cases and then discharge the girls at the end of the learning period and take on a new group of workers."

Similar unregulated wage conditions have been found in other sections of the country. At the hearings before the California State Unemployment Commission in 1932, testimony was given regarding the low wages paid to laborers on some of the ranches. One woman reported joint earnings for her husband and herself of 45 cents to 75 cents a day for picking spinach at 2 cents a box, each weighing from 65 to 70 pounds. The Commissioner of Labor and Industrial Statistics of Louisiana, in his report for 1931-32, cited cases of restaurants which paid as little as 6 cents an hour

and which made charges against the employes so that a girl working full time would receive only \$2.19 a week. He stated that some of the establishments making women's dresses were paying approximately the same low wages. The Commissioner of Labor of Oklahoma, in submitting recommendations for legislation for the present year, pointed out that the wages of women industrial workers within the past two years had fallen until they were "incredibly low."

At the end of 1932 the protection of effective minimum-wage legislation was never more urgently needed; yet never did the outlook for such legislation seem gloomier. Of the seventeen minimum-wage laws that had been enacted, two had never been put into operation; three had been repealed, and six had been declared unconstitutional, with respect to adult women, by Federal or State courts or legal authorities. The remaining laws, with the exception of the fair-wage law of Wisconsin, were hampered by lack of authority on the part of the enforcing body or by fear of court action. Then, when the situation looked darkest, there was launched a militant campaign for the adoption of mandatory fair-wage laws throughout the country. It was logical that the National Consumers' League should have initiated this movement, for it was Florence Kelley, long the general secretary of the league, who, in 1910, started the first campaign for minimum-wage legislation in the United States.

A Conference on the Breakdown of Industrial Standards, held in New York City on Dec. 12, 1932, at the call of the Consumers' League, was attended by officials of the labor departments from the principal Eastern industrial States. At this conference it was unanimously voted to start work-

ing at once for minimum-wage legislation. The point of view expressed by the State official from Pennsylvania was characteristic of the attitude of the conference. "We ought to have better hours legislation," she said. "We ought to do something about putting 14 and 15 year old children into employment. But the one piece of legislation that can do more for us at this time than any other would be the minimum wage."

The relation between low wages and unemployment was stressed by Frances Perkins, then head of the New York State Labor Department. "We are recognizing more and more," she said, "that as a part of the cure for the depression, we want purchasing power in the pockets of the wage earners; and we know that purchasing power rests upon wages which are adequate to supply something more than a subsistence level." As a means of promoting minimum wage and other protective legislation, the conference agreed to establish industrial standards committees in the various States. A committee of which Josephine Goldmark was chairman, with Felix Frankfurter of the Harvard Law School and Joseph P. Chamberlain of the Columbia Law School among its members, was appointed to draft a model minimum-wage bill for introduction into State Legislatures.

The measure prepared combines some of the features of the recom-mendatory Massachusetts law and the mandatory fair-wage law of Wisconsin. The fair-wage rates established would be recom-mendatory at first with the penalty of publicity for non-compliance. After nine months the rates would be made mandatory if that was necessary to secure general acceptance. Employers paying wages to women in industrial employment which are both less than a fair return

for the services rendered and below the cost of living would be subject to fine or imprisonment or both. This proposal is an attempt to meet one of the objections raised by the United States Supreme Court in the District of Columbia case with respect to mandatory minimum-wage legislation. In the opinion handed down at that time Justice Sutherland intimated that had the minimum wage been based, not on the cost of living but on the value of the services rendered, the court might have viewed the statute in a different light.

Strong support has been given to the new movement by the Eastern Interstate Conference on Labor Legislation, which met in Boston on Jan. 27, 1933. Official representatives of the Governors of Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Rhode Island attended. The delegates voted unanimously to urge the adoption of minimum-wage legislation in the various States, and to do this as much in the interest of employers as of employees.

"Thousands and thousands of women and minors in the States represented," the conference declared, "are working for a pitifully low wage. This fact means suffering to them. Not only is this true, but such conditions mean ruin to employers who would like to pay a living wage in competition with these starvation wages. A bottom level to wage cutting must be established. We therefore recommend a mandatory minimum-wage law for women and minors, and urge that it be adopted promptly in every State. We make this recommendation so strongly because we know that any individual employer in our competitive system is placed in an almost helpless situation when his competi-

tors are cutting wages. We also know that for a woman or child worker, the alternative to accepting a sub-standard wage is to join the ranks of the unemployed."

In a vigorous plea that New York State should take the lead in this legislation, Governor Lehman on Feb. 27, sent a special message to the New York Legislature urging early action in adopting a minimum-wage law for the protection of women and children in industry. He stated that there was overwhelming evidence of the exploitation of such workers during the depression, and said that instances had come to his attention where women were paid as low as \$4 for a full week's work. Answering the objection that no additional burdens should be placed on industry in these troubled times, the Governor said that he regarded the minimum wage, not as a burden, but as a protection to industry from unfair wage attacks. "I am confident," he continued, "that I voice the needs of industry in urging the necessity of assuring a bottom level of wages so as to avoid the continuous spiral of lower wages, lower prices, lower purchasing power and higher unemployment." A significant part of the message was that discussing the question of the constitutionality of minimum-wage legislation. Governor Lehman's opinion was that the mandatory fair-wage law he recommended would be held constitutional.

Similar opinion regarding the constitutionality of this sort of legislation was voiced by Miss Perkins shortly before her appointment as Secretary of Labor in President Roosevelt's Cabinet. In an article in the *Survey Graphic* for February, 1933, she wrote: "The hard times are giving us a sharp lesson in the need for enlarging our whole scheme of protective

legislation to include minimum-wage laws. * * * Legislation to safeguard the health of the worker against a less-than-subsistence wage is socially necessary. It is as important to the community as well as to the employe that men and women should be protected against starvation wages. Supreme Court decisions have slowed up the minimum-wage movement in this country. I am convinced that basically such legislation is in harmony with the principles of our Constitution."

In Miss Perkins's first public speech after her appointment as Secretary of Labor, she said that in the three weeks since she had been in office she had received 200 letters from employers telling how their industries were being ruined by competition with concerns paying starvation wages, and asking her to do something about wages in the United States. She declared that it was significant that there was now general recognition of the fact that the purchasing power of the wage earner had to be restored to provide a market for the great industries of the country.

The outstanding achievement of this campaign that began at the opening of the year was the enactment of minimum-wage legislation by New York State. The measure passed embodied most of the provisions of the model bill sponsored by the Industrial Standards Committee of the National Consumers League. It declares it to be against public policy for an employer to pay women and children a wage that is both less than a fair and reasonable return for the services rendered and less than the minimum required to meet the cost of living and to maintain health.

New York's adoption of this measure marks a new era in minimum-wage legislation in the United States. Hitherto, Massachusetts has been the

only great industrial State, and the sole Eastern State, with such legislation. California and Wisconsin, semi-industrial States, enacted minimum-wage laws years ago. But with these exceptions, legislation until the present year had been confined to the agricultural or mining States where comparatively few women are employed in industry. This limitation of minimum-wage legislation mainly to the non-industrialized West had been a constant source of criticism of such legislation in America. Now that the greatest industrial State in the Union has enacted a minimum-wage law, that objection falls to the ground.

Upon the passage of the New York bill in the Legislature, President Roosevelt telegraphed to the Governors of the principal industrial States urging the enactment of minimum-wage legislation. Such laws, he said, represent "a great forward movement against the lowering of wages, which constitutes a serious form of unfair competition against other employers, reduces the purchasing power of the workers and threatens the stability of industry." In part as the result of his prompting, fair-wage laws were passed by New Hampshire, New Jersey, Connecticut, Ohio and Illinois. New Hampshire, at the time of the President's message, already had a minimum-wage bill before the Legislature. Meanwhile, Utah, which in 1928 repealed its minimum-wage law, had enacted a mandatory minimum-wage statute modeled on that of California.

The Roosevelt administration's belief in the principle of a minimum wage has been proved by the inclusion of a requirement in the National Industrial Recovery Act that every industrial code that is approved must contain the specification that employers shall comply with the minimum rates of pay approved or prescribed

by the President. In his public statement after signing the act, President Roosevelt said, with reference to the labor provisions: "The idea is simply for employers to hire more men to do the existing work by reducing the work hours of each man's week and at the same time pay a living wage for the shorter week." Explaining his conception of a living wage, he said: "And by living wage I mean more than a bare subsistence level—I mean the wages of decent living."

Although the National Recovery Act is an emergency measure, temporary in character, it will unquestionably exert a powerful influence upon minimum-wage laws by giving the sanction of the Federal Government to such legislation. Its scope covers activities "in or affecting interstate commerce." Temporarily the blanket code covers all American industry. There is reason to believe that the government will utilize the State minimum-wage machinery, where such exists, for enforcing the act locally. Presumably, also, there will be need for action under the State minimum-wage laws to supplement the codes and make them more effective. In any event, the policy of the administration should give impetus to the movement for fair-wage laws within the States.

As a means of putting the program for fair-wage laws into effect, Industrial Standards Committees have been formed in a number of States. These committees seek to create an informed body of public opinion which will aid in protecting the standards that have been won and in securing support for uniform codes of protective legislation throughout the country. They seek legislation which will safeguard from exploitation, not only the girls in the garment shops of New England mill towns where meager pay envelopes have excited widespread comment, but all women and children in all sections of the country who are subjected to the wages and working conditions of the sweatshop.

If they succeed, they will have accomplished much. If, beyond this, the movement results in a reawakening of the public conscience to social responsibility, to a clearer perception of the relation between industrial conditions and social problems, to a keener understanding of the danger to the entire economic structure that is inherent in bad economic conditions, if it inspires a stronger desire for social justice and a determination to achieve that ideal—then the tragic misery of the depression will not have been in vain.

The German Socialist Debacle

By LUDWIG LORE

[An active member of the German Social Democratic party for a number of years before coming to America, Mr. Lore has always been in close touch with the German labor movement. In this country he was for several years the editor of the *New Yorker Volkszeitung*.]

OF all the blows that the Hitler régime has struck at the economic, social and cultural life of the German people, none could have been more far-reaching in its consequences than the decree of June 22, 1933, dissolving the Social Democratic party and the organizations connected with it, for among working-class organizations the party was long the greatest, most compact and most influential in the world. Yet there was always an inherent contradiction in the German Socialist movement. In theory it was international and revolutionary, but in actual practice nationalistic and opportunist. This was the fatal flaw that brought about its tragic end.

The history of the German Social Democracy may be said to begin on May 23, 1863, when its forerunner, the General German Workmen's Association was founded in Leipzig under the leadership of Ferdinand Lassalle. But there was a second Socialist movement, known by the name of Eisenach, directed from England by Marx and Engels. In 1875, however, the two movements were united on the basis of the program adopted at a congress in Gotha.

That program was a compromise, which only Marx and Engels seem to have fully appreciated. Marx, in a criticism of it, which was not made pub-

lic until years after his death, wrote: "The working class struggles for liberation from oppression first and foremost within the framework of the existing national State, with the consciousness that the ultimate result of its striving must be the international brotherhood of all nations. * * * In direct antithesis to the conception outlined in *The Communist Manifesto* and to all earlier conceptions of socialism, Lassalle looks at the labor movement from the standpoint of a narrow nationalism. * * * The [Gotha] program contains not a word on the international functions of German labor! Is this the movement that is to meet its own bourgeoisie, closely allied with the bourgeoisie of every other country?" Even when the party, at the Erfurt Congress in 1891, adopted a new program defining its economic aims more sharply, its attitude on international problems remained unchanged.

As early as 1870, when Bismarck engineered the Franco-Prussian War and the government demanded war credits from the Reichstag, Bebel and Wilhelm Liebknecht, the Eisenach Deputies, abstained from voting, while the Lassalle faction wholeheartedly supported the appropriations. "We could not vote 'No,'" Liebknecht later explained in the Berlin *Vorwärts*, "although both Bebel and I saw through Bismarck's treachery and were bitterly opposed to the war. Our constituents would not have understood such a position. Social Democratic voters are still as easily

swayed by pseudo-patriotic influences as are those of the bourgeoisie."

From time to time groups formed and briefly flourished within the party in opposition to this obdurate drift to the Right. There was, for instance, the revolt of the *Jungen* (1890-1892) led by Bruno Wille, Werner and Wildberger in the years after the repeal of the anti-Socialist exception law, a protest of young intellectuals and workers against preoccupation with parliamentary affairs. Again, a few years later, Johann Most and August Hasselmann, members of the Reichstag, attacked the "parliamentary morass" and patriotism in which the Social Democracy was submerged.

When the Social Democratic Deputies in the Reichstag met before the vote of Aug. 4, 1914, to debate whether they should support the war policies of the Fatherland, the great majority favored such support for the same reasons as influenced Wilhelm Liebknecht in 1870. Dr. Lensch, who was in the minority in 1914, but later left the party for the bourgeois camp, commenting after the war on this incident, wrote: "The fear of these tribunes of the people of the displeasure of their followers was extraordinary. Of the forty Deputies who took part in the discussion, only two or three admitted concern with the precarious position of the Reich. Only one, Dr. David, emphasized the duty of every German to defend his Fatherland. The others all offered opportunistic arguments. It would be impossible to hold the electorate to the party. Its natural sentiments would drive it into the arms of those parties that stood behind the boys at the front. The truth that none of them dared to express was this—that in this hour all of them were Germans and felt as Germans."

At the outbreak of the World War the German Social Democracy was at what was up to that time the zenith of its power. In the Reichstag election of 1912 it had polled more than 4,250,000 votes. With 1,000,000 dues-paying members it was the largest political organization in the world. But it was a house divided against itself. Only rigid self-discipline and an idolatrous worship of the party as an entity had prevented a split long before the war. A minority emphasized the necessity of political power through revolutionary propaganda to prepare for a speedy socialization of society. The majority believed in adjustment to existing conditions, in reforming bourgeois society so that it might slowly "grow into the Socialist State." The Social Democracy protested against the war, but was unable to prevent it. More clearly than the party leaders themselves, the Kaiser and the general staff had seen the nationalist spirit that throbbed in the heart of the German workers under a superficial internationalism.

In the hothouse atmosphere of war this hidden nationalism grew until the class aspect of the Socialist movement entirely disappeared. Ernst Heilmann, for many years afterward chairman of the party in the Prussian Landtag, expressed the thought that unconsciously dominated the workers when he wrote, a few months after the outbreak of the war: "I am going to Hindenburg." In their famous statement of Aug. 4, 1914, the Social Democrats in the Reichstag had already assured Germany that "its poorest son is its most faithful son." The opposition led by Karl Liebknecht was derided, insulted and finally howled down. Not until the Social Democratic leaders were forced to realize that the nation was on the brink of military and economic catastrophe,

that disaffection and revolt were sweeping the country, did they sever their allegiance from the Kaiser and place themselves at the head of the revolution in 1918 lest they be left behind in the onrushing march of events.

Overnight the power of the State fell into the hands of the workers. The bourgeoisie, for the moment incapable of resistance, had capitulated completely. With anxious expectancy the world watched the situation. The Social Democracy was confronted with a tremendous task. But it failed because its chiefs, who had supported the war through thick and thin, became the leaders of the new order. They strove to consolidate conditions as rapidly as possible, even at the price of cooperating with those forces of old Germany that remained intact—the military caste, the bureaucracy, the industrial magnates and even East-Elbian Junkerdom. At the same time, prominent Social Democrats, eager to find places in the newly created Parliamentary machine, forgot that democracy can become and remain effective only if its principles prevail in all directions—that democracy must always be the means to an end, never the end itself.

After the revolution of 1918 the Social Democrats did practically nothing to prevent Germany's reactionary forces from regaining their influence. Behind the scenes the newly created Reichswehr played a rôle that surpassed anything to which the old army had ever been able to aspire. The judiciary was sacrosanct and continued its anti-republican practices. The old bureaucracy was left firmly entrenched and became the one permanent agency in a government of rapidly changing Ministries. Nationalistic tendencies of the most malignant type were allowed to develop. In the

labor movement the idea of democracy was perverted to mean national unity and resistance to the foreign enemy. Despite international shibboleths and the talk of a European outlook, the mental atmosphere of the Social Democracy became one of narrow provincialism. The Socialist International was used as a forum where German claims could be presented through Social Democratic spokesmen to the allied nations.

This state of mind was characteristic of Germany as a whole. For generations it had been fostered in the schools by the Prussian military caste. After the war the Social Democracy made many superficial but few fundamental changes in the school system. The internationally minded elements that strove for a reorientation of education received scant encouragement, and in many cases worked under the active disapproval of the Social Democratic leaders. Thus, in 1931, party members were forbidden to join the German Peace Society; membership in nationalist clubs and organizations such as the monarchist Kyffhäuser Bund, was tacitly permitted. Whatever prohibitions the Social Democracy imposed upon its membership tended to favor the Right and not the Left.

In reality the German workers were indifferent to political power. Their political organization reflected only the passion for order and the creative, constructive, acquisitive nature of the German people. It was the background of their efficient trade-union movement with a record membership of 4,000,000 on Jan. 1, 1933, despite more than 6,000,000 unemployed; of their cooperatives with 4,380,000 members, 50,000 retail establishments, 95,000 employes, an annual turnover of \$180,000,000 and membership savings accounts totaling \$20,000,000; of

their remarkable cultural and educational societies; of their exemplary system of social service. In recounting the achievements of the revolution the German Social Democrat instinctively turned to the material accomplishments of the last fifteen years—industries rebuilt, cities beautified, model tenements, schools, children's courts. The early governments of the republic acquiesced in every demand of the Allies because of Germany's state of mind that wanted to be left alone to put the country's shattered affairs in order and restore the national economy.

The economic organizations and the numerous societies and associations for sport, travel, music, drama, literature and other cultural activities in which the German workers were organized, were the roots through which the Social Democratic party drew sustenance. Consequently their immediate interests largely determined its methods and tactics. Last March 7,000,000 voters identified themselves with its program. Of these, 1,080,580 were dues-paying members of an organization with 9,972 local branches and a budget of \$3,000,000. It was represented in the municipal legislative bodies of the country by 55,271 men and women. Of 2,148 representatives in German Parliaments, 662 were Social Democrats. Besides nineteen monthly periodicals, it published 234 daily and weekly newspapers with 7,500,000 daily readers, all of which were printed in plants owned by the party and edited by men and women appointed by the organization. All this now belongs to the past.

Since the revolution of November, 1918, not quite fifteen years have gone by. But the unchallenged power that the workers held for a brief and undecided moment has long since passed

from their hands. Of the fundamental rights guaranteed by the Weimar Constitution nothing remains. Never before in history has a ruling group so spinelessly relinquished power.

One of the first acts of the Hitler régime after its establishment on Jan. 30 was a destructive campaign against the Communist movement. The party itself was outlawed. For a time the Social Democratic party was treated somewhat more tolerantly. Although its newspapers were banned, its Deputies still sat in the Reichstag and the State Diets. On May 1 the free trade unions called on their members to celebrate the National Labor Day proclaimed by the Nazi Government to demonstrate its ascendancy over the working-class movement. On May 2 the General German Trade Union Federation and the workers' cooperative societies were "coordinated" and taken over by the State. On May 10 all buildings, printing plants, bank accounts and other property of the Social Democratic party were confiscated to safeguard—so the government stated—the property of the workers in the trade unions from being "stolen and squandered to support the Social Democratic party and its press."

The ease with which the Nazi rulers had been able to terrorize the political and economic organizations of labor led them to attempt the use of similarly high-handed methods in the field of foreign relations. But when the powers became disturbed, a session of the Reichstag was called for May 17 to secure official sanction for Hitler's arms policy. To prove that the entire German nation stood behind Hitler, Goering introduced a resolution completely endorsing the address as expressing the will of the German people. Describing the scene that fol-

lowed, the Berlin correspondent of *Politiken*, the most important Danish liberal newspaper, wrote:

"Every Deputy sprang from his seat—the Social Democrats with the others. A sensation! As the Social Democrats rise a glaring spotlight is turned upon them. * * * Old and young, they stand at attention. Perhaps one or the other at that moment thinks of the twenty Social Democratic Deputies who have been imprisoned in concentration camps. * * * Balconies and galleries thunder applause in which the honorables on the dais and at the Ministers' table join. Hitler applauds and with him the ex-Crown Prince. The Social Democrats are the recipients of all this vociferous approval. Are there any among them, I wondered, who feel this hailstorm of applause as if it were the lash of a whip?"

The vote of the Social Democrats at once raised a storm in the party and the Socialist International. According to Reichstag Deputy Friedrich Stampfer, former editor-in-chief of the Berlin *Vorwärts*, central organ of the German Social Democracy, "at first only a small group of the Social Democratic Deputies was prepared, for tactical reasons, to give silent assent to Hitler's speech on Germany's foreign affairs. * * * But after the government, through its Minister of the Interior, Dr. Frick, announced in the Ways and Means Committee of the Reichstag that the life of the nation stands above the lives of individuals, the majority yielded to this extortionate pressure."

The pretext the Nazis needed to suppress the Social Democratic party was provided by a number of its most influential leaders, including Otto Wels (the party's chairman), Dr. Breitscheid and Friedrich Stampfer, who had come to the belated conclu-

sion that a legal Socialist party was no longer possible. A majority of the party's national executive, consisting of men and women who had escaped from Germany to evade arrest, submitted a letter signed by Otto Wels to the Socialist Labor International informing that body of the transference of the seat of the German Social Democracy to Prague and stating that his previous resignation from the executive had been decided upon by the party as a feint to evade reprisals by the Nazi régime. When this statement was received in Germany those Deputies of the Reichstag and the Prussian Landtag who were still in the country and not in prison issued, at a meeting in Berlin, a declaration to the effect that the seat of the German Social Democracy would remain in Berlin, that the party would continue to carry on its legal propaganda, and that no one who remained outside Germany could continue to act as a member of the executive.

With an incredible lack of realism in trying to ignore the real purposes of the Nazi dictatorship, the leaders of the Social Democratic party and of the free trade unions hoped that the promise of good behavior would save them. But the inevitable came, and they have paid dearly for their refusal to see the handwriting on the wall. The German working-class movement has been destroyed and has, incidentally, lost millions in cash and property which have fallen into the hands of their enemies as the spoils of an unequal struggle. Apart from the protests here and there, the movement, with its millions of followers, took the blow with fatalistic stoicism. What propaganda against the Nazi régime the Social Democrats are conducting is being carried on from Karlsbad, Czechoslovakia, where the weekly *Vorwärts* is being published and from

Saarbrücken where *Die Freiheit* appears daily.

The Communist party, with its 300,000 members and its 4,000,000 voters, might have been expected to proclaim itself the sole instrument of social revolution, but the failure of its efforts to organize the workers for resistance was due to much the same causes as those which brought about the downfall of the Social Democracy. Although most of the Communists had been members of the Social Democratic party, which they left in protest against its anti-revolutionary attitude, they were not themselves the material out of which revolutionists are made. Many of the younger members were inspired by the revolutionary spirit, but without a clear understanding of Communist aims. The Nazis copied the most effective propaganda methods used by the Communists, and in this respect as well as in aggressiveness and persistence, the two parties have much in common. This probably explains why the Nazis won more support from the Communists than from the Social Democrats.

When all is said and done, the Nazi movement triumphed because it presented itself as the sole representative of German nationalism and branded its opponents as enemies of the nation. The Communist party, too, gained much through its consistent opposition to the Versailles treaty and its harping on the subjugation of the German workers to international capital. What Otto Strasser, the radical National Socialist, who was expelled from the Hitler ranks, said in his *Schwarze Fahne* is not without truth: "The Communist party is closer

to us than Hitler's perversion of the National Socialist idea." Superficially, the German masses accepted Marxist doctrine, but actually it was alien to them and they rejected its consequences. Socialism failed in Germany in 1914 because its leaders feared to lose voters; in 1918 because they dreaded the disorder and uncertainty of revolution, and in 1933 because they felt that the workers, trained to unquestioning obedience, would fail them in an attempt to resist recognized and established authority.

In a larger sense, what has happened to socialism in Germany reflects the attitude of the German people with all its virtues and shortcomings. But it was an attitude that paralyzed the fighting strength of the working class. The weakness of the Social Democracy lay in its too facile responsiveness to the unthinking reactions of the mass. Though there were in its ranks the outstanding Marxist thinkers of the world, its activities from day to day were unhampered by Marxist tenets. These were treasured like rare works of art or precious keepsakes taken out only on special occasions for the intellectual and emotional satisfaction they provide.

Yet this estimate does not necessarily imply that German socialism is dead. It suggests that fascism will be overthrown neither by the Social Democrats nor by the Communists in their present form and orientation. In due course the German workers are bound to reorganize, and a new movement arise on the ruins of the old, but it will have to lead where the Social Democracy only followed.

Is America Ripe for Fascism?

By V. F. CALVERTON

[The question of dictatorship and fascism in America, which has been discussed in previous articles in this magazine, is now considered from another point of view by the editor of *The Modern Monthly*.]

DAZED by the speed with which President Roosevelt has put together the pieces in the economic jigsaw puzzle of the nation and confused as to how it has been done, Americans are being told that their country is going Fascist and that President Roosevelt is gradually assuming the powers of a Fascist dictator. One commentator has maintained that what confronts us today is fascism in a garb that is distinctly and inimitably American. According to this interpretation we have produced a fascism which has not had to don black or brown or even blue or khaki shirts in order to establish its hegemony over the State. In other words, we have created a fascism without removing our white shirts or soiling our collars or even doffing our tuxedos and high silk hats.

But such a conclusion is both false and dangerous. First of all, the present American Government is not Fascist; President Roosevelt is as far from becoming a Fascist despot as Kerensky was from becoming a Bolshevik leader; America at the present time reveals none of the Fascist spirit and harbors no hidden Fascist forces which may suddenly spring from cover and overwhelm us; and, still more important, this country is at the present time, with the solitary exception of Soviet Russia, further removed from fascism than any nation in the

Western World. Neither President Roosevelt nor the government he heads belongs to the same family as Mussolini or Hitler, though the President may be regarded as the American counterpart of the Italian Nitti or the German Bruening. The danger in describing the present American Government as Fascist, or even potentially Fascist, and President Roosevelt as a future Fascist dictator, is that it will blind the American people to the actual appearance of fascism if, or when, it develops here.

With fascism triumphant in both Italy and Germany, and with Fascist movements in Holland, Austria, Poland and Great Britain growing stronger every day, nothing should be allowed to obscure the signs of the birth of an American fascism. The confusion which has resulted so far in ascribing Fascist characteristics to the Roosevelt régime has arisen from a simple but dangerous error. Since both Italian and German fascism, as well as the Rooseveltian industrial recovery program, lead toward State capitalism, it has been concluded that they are all Fascist. But such a conclusion does not follow. Diabetes and tuberculosis may both result in death, but that does not mean that because they have a common end they are the same disease. Capitalist society throughout the Western World is being gradually transformed into State capitalism, but that does not mean that the process of transformation is everywhere the same. A Fascist dictatorship need not necessarily intervene in order to consummate that

transformation. All that is required is that the State take over industry and the banks and continue to pay interest and dividends to the holders of the bonds and stocks.

That the Roosevelt Administration is not even a potential Fascist régime is shown by examining what has happened in Italy and Germany as well as the Austrian, Dutch, Polish and British Fascist movements. Fascism is a militant uprising of the lower middle class in city and country. It finds its support among such divers types as farmers, shopkeepers, minor industrial executives, the professional classes and disillusioned radicals. The revulsion against Mr. Hoover in the last election and the overwhelming victory of Mr. Roosevelt cannot be interpreted, with even reasonable latitude, as a militant upsurge of that lower middle class in America, representing a form of fascism indigenous to this country, because fascism is more than a democratic protest against another political party. The history of the United States as well as of every other nation is full of such protests, but they are no more Fascist than is the development of President Roosevelt's economic program.

Fascism is not a movement of democratic protest functioning within the legal limits of a political party; it is a belligerent uprising that is from the start contemptuous of democracy and scornful of legality in every form. The earliest expression of the Fascist bid for power is the formation of extra-legal armies—storm troops, black shirt phalanxes—which are organized, supported and armed for the definite purpose of annihilating the anti-Fascists and ultimately seizing control of the State. Once control of the State has been usurped, contempt for democracy becomes more immediately and

desperately manifest in the elimination of parliamentary government and suppression of all opposition in court, press, church and school.

Mr. Roosevelt's election and all the acts of his government since his inauguration have been as definitely and as unmistakably non-Fascist in character as have been those of Premier Daladier of France or as were those of President Wilson during the World War. Mr. Roosevelt was elected entirely without coercion, without illegal methods of any kind; at no time has he displayed any contempt for legality or threatened to destroy the democratic processes of government; and, still more important, in no way has he attempted to resort to extra-legal means to convert the State into a weapon of autocracy. His assumption of what seems to many almost dictatorial powers in his plans for industrial recovery does not in any sense make him a Fascist dictator—any more than did President Wilson's assumption of almost similar powers in 1917 make him a Fascist dictator.

Henry Steele Commager has observed that President Roosevelt's program has been "embodied into law not at the irresistible dictate of a Mussolini, but at the demand of and with the overwhelming approval of the American people." Although Mr. Commager may be exaggerating a little when he says that all that President Roosevelt has done has been with "the overwhelming approval of the American people," he is correct when he notes that it has all been achieved without the "dictate of a Mussolini." President Roosevelt's industrial recovery plan signifies the end of *laissez-faire* capitalism in the United States and the beginning of State capitalism, but that has nothing to do

with fascism as such, since none of the elements which make up the Fascist State are present in America.

If the Roosevelt régime is not Fascist, and yet leads in the same direction as fascism, namely, to State capitalism, does that mean that fascism is impossible in America? Not at all. The development of fascism in the United States is contingent upon the development of the same conditions as those which produced it in Italy and Germany and which now encourages its growth in other European countries. The first requisite for fascism is the collapse of a nation's economic system and, at the same time, a popular loss of faith in the possibility of recovery. The World War did more to wreck the economic stability of European nations than any other force, and once the war was over, in a whirlwind of frenzied finance and overproduction, one country after another began to reap the results of the disaster.

Soon after the war, the economic system began to break down rapidly in both Italy and Germany. As a consequence, the working class and the lower middle class became restive and violent, threatening the stability of the existing democratic State. In Italy the working class seized a great number of the factories and was well on the way toward the establishment of an anarcho-syndicalist State, when Mussolini's black shirts intervened and created a Fascist State instead. In Germany, where the workers were better organized and numerically stronger, attempts in several cities and States succeeded in establishing working-class rule. Until 1923, it seemed possible that Germany might follow the Russian example in forming a workers' republic. But foreign investments enabled the Social Democratic party, by betraying the Communists, to participate in the creation

and control of a coalition democratic State. As soon as this coalition rule found itself compromised by economic failure, communism and fascism arose with the same rapidity that anarcho-syndicalism—the Italian brand of communism—and fascism had grown up in Italy. Thus, in Germany as in Italy, fascism resulted only when the economic system collapsed and when the populace had lost faith in its revival.

Fascism springs from precisely the same conditions that give birth to communism. Fascism and communism are variants of the same tendency. Both are due to economic breakdown and the misery that ensues; both represent the movements of classes that are convinced that there is no way out under the existing economic system.

The final test of the breakdown of an economic system is not to be found in the facts and figures presented by scholars and statisticians or adduced by radicals, but in the behavior of the mass of the population. For example, however insecure the American economic system may be, it has not broken down because the American people, the workers, as well as the lower middle class, have not yet lost their faith in it. That was demonstrated in the election in November when the two-party system retained the overwhelming support of the nation. Today, moreover, the vast majority of Americans have confidence in the Roosevelt administration. Added proof is also to be found in the failure of extra-legal forces to act as agencies for the protection of the interests of special groups and classes. Even already-existing organizations that are prepared to use coercive methods, such as the Ku Klux Klan and the American Legion, have remained quiet, un-

able to interest the people in their aims.

There is, however, another aspect of fascism which must receive attention if the absence of such a trend in America is to be understood. Fascism is not created out of a void; it is the definite product of social forces. Economic breakdown ruins both the lower middle class and the workers; the former are inclined to join parties with Fascist principles, while the workers turn to either the Communist party or some other revolutionary organization. Between these two groups almost constant warfare is inevitable.

The Fascist parties in Italy and Germany would probably never have appeared if there had been no revolutionary organizations of the workers. This is shown by the fact that the large contributions the Fascists received from the industrialists were for the purpose of enabling them to fight the radical workers. At all times militant working-class organizations which threaten to strike, and do often strike, for higher wages and shorter hours, jeopardize the interests of industry and trade. Furthermore, in times of economic crisis these organizations become strong enough to menace the permanence of private ownership in industry. Thus, the more complete the breakdown of the economic system, the more threatening becomes the revolutionary working class and, in turn, the more ready are the leaders of industry to support the Fascists in a struggle against the organized workers. Without this support—in the form of financial aid—the existence of a Fascist private army would be impossible; without

such an army, a Fascist movement is doomed to failure.

But in America today there are no revolutionary working-class parties of any significance. Industry and business at the present time have nothing to fear from the Communists or from any other radical group, and therefore there is no reason for subsidizing any party or organization which, if conditions were different, could be used as a weapon against the militancy of the workers.

Fascism may develop in America, but not until the economic situation provokes it. If President Roosevelt's recovery program fails, the faith of the American workers and middle classes in the present economic system will undoubtedly be so greatly shaken that revolutionary working-class parties will appear on the one hand and Fascist legions on the other. The abortive "Khaki Shirts" may then be revived as a national Fascist order. Father Cox's "Blue Shirts" may come on the scene again. The American Legion and the vestigial forces of the Ku Klux Klan might no doubt play an important rôle; possibly the Legion might become the nucleus of a Fascist movement. In all likelihood, such a movement, following national traditions and seeking to offset the slogans of the militant workers, would adopt a program resembling that of the old Populist party. Perhaps a new Bryan in a khaki shirt would seek to assure the American people that he could save them from being crucified on a cross of gold. But if there is to be this sort of American fascism, it still belongs to the future, for no signs of it have yet appeared.

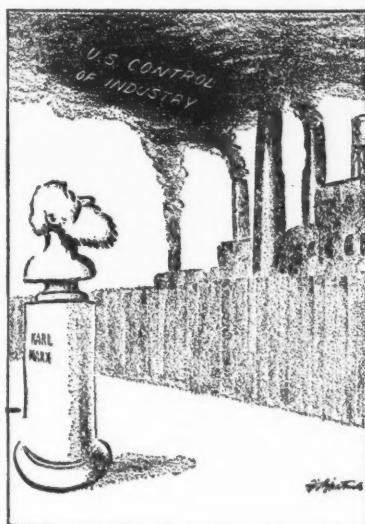
Current History in Cartoons



The spirit of '33
—Boston Evening Transcript



There's lots of missionary work
yet to be done
—New York Herald Tribune



"Well, blow me down!"
—St. Louis Post-Dispatch



A little ahead of the parade
—Detroit News



The patience of the angels
—*Evening Standard, London*



The jury failed to agree
—*New York World-Telegram*



A new specimen for the museum
—*Boston Evening Transcript*



"For she is the belle of New York,
The subject of all the gold talk"

—Daily Express, London



"Now that we have Manchuria,
we can re-enter the League of
Nations"

—Jugend, Munich

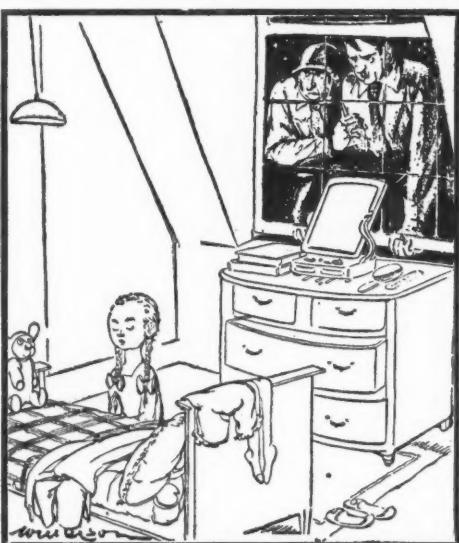


Sucker bait
—Chicago Tribune



"Now that we
have the
Concordat,
you must not
speak evil of
Mr. Hitler—
it is a mortal
sin"

—*Le Canard
Enchaîné*,
Paris



"Gott in Himmel, Adolf,
how do we
know what
she is pray-
ing for?"

—*Daily Her-
ald*,
London



Father Time—"Push as hard as you like, Herr Doll-
fuss, you won't arrest the course of time"

—*Kladderadatsch*, Berlin

A Month's World History

Salvaging the London Conference

By ALLAN NEVINS

Professor of American History, Columbia University

THE hardy nature of international conferences was once more illustrated in July, when the economic gathering at London, having received what was almost universally diagnosed as a death blow, proceeded to live a full three weeks longer than was considered reasonable. On recovering from the first shock of President Roosevelt's message of July 3 bluntly refusing the cooperation of the United States in stabilizing currencies, a few of the delegates began looking about them to see what could be done in the way of considering uncontroversial subjects and reaching agreements that would allow the conference to close with some measure of credit. Not many had the courage to face the task.

Prime Minister MacDonald, the presiding officer of the conference, grimly feeling that President Roosevelt had repudiated the fair understanding reached between them at Washington in the Spring, refused to do anything about it. Neville Chamberlain, with his usual aplomb, also refused to commit himself until he had thought things over. Among most of the Continental nations represented at the conference the demand for immediate adjournment was unanimous and emphatic. An exception was furnished by the Scandinavian countries, which form

part of the sterling group, and which naturally waited to see which way Great Britain would throw her weight. Georges Bonnet of France, the head of the gold bloc and originator of the stabilization scheme which President Roosevelt had rejected, limited himself to a glum statement that the conference had no alternative but to disband, leaving more vitriolic pronouncements to the articulate Paris press. Guido Jung of Italy and Dr. Hendryk Colijn of the Netherlands were vehemently in favor of adjournment, and at first it seemed that their irritation with the United States would incline them to block any proposals from American sources for continuing the work of the conference.

On July 4, the day after President Roosevelt's message of rejection, the various subcommittees carried out their scheduled meetings but without much interest. The corps of 500 experts and the lesser employes around the South Kensington Geological Museum believed that their jobs would soon be done. Nearly every one supposed that the steering committee, at a meeting which was called for July 6, would summon a plenary session of the conference and send the delegates home.

The American delegation meanwhile began to revive from the depression

into which President Roosevelt's declaration had plunged them. Secretary Hull had been described at first as a "stricken man." His leadership had apparently been brushed aside, and his advice on the European situation ignored by the President. Mr. Roosevelt had rejected his draft of the message and the President's substitute, written in the comparative isolation of a warship off the North American coast with the collaboration of only one adviser, Louis McHenry Howe, had destroyed at one stroke the basis on which sixty-six nations hoped to build some sort of economic system that would pull them out of the depression. Mr. Hull, sincerely devoted to international cooperation, discovered that Washington was for the time being too much absorbed in internal reconstruction to have any real concern for the fate of the conference. On the other hand, it was obvious that not a single nation represented at London would compromise its own interest very far to reach an agreement with other nations. Instead of a co-ordinated economic plan, nothing had been prepared for the parley except a conglomeration of proposals by which each nation hoped to obtain some concessions in favor of its own trade and finance.

French anger over the refusal of the United States to stabilize its currency was in large part the product of France's own precarious financial situation. M. Bonnet, returning from a critical Cabinet meeting in Paris over the week-end of July 3, knew that perhaps only a miracle could balance the 1934 budget, already estimated to show a deficit of 7,000,000,000 francs (\$1,750,000,000 at par exchange). Yet observers predicted that failure to reorganize the French finances would bring collapse of the

franc. M. Bonnet also knew, as he frankly told the conference, that speculation in the dollar might at almost any moment drag the franc from its gold perch. Since President Roosevelt refused to take the step that would make such speculation impossible, adding a bit of advice as to balancing budgets "in the tone of an irritated prophet," M. Bonnet was extremely grieved.

The financial situation of other countries of the gold bloc—Switzerland, Italy, the Netherlands, Belgium—all of which had taken steps to limit exportation of gold, was also difficult. These nations joined France in drawing up a declaration that they would adhere to gold. So uneasy was public sentiment in Czechoslovakia that, when the news was flashed to Prague that her delegation had failed to sign the declaration, a run on gold at the banks reached panicky proportions. The Czechoslovak delegate hastily repaired the omission, which had been due merely to oversight.

In this welter of cross-purposes, and amid general pessimism, the conference approached the decision as to whether it would continue. Members of the American delegation favored a recess of three months but not adjournment. The British Dominions, which had hoped to obtain agreements raising the price of their products, urged continuance. Prime Minister Bennett of Canada and Stanley M. Bruce of Australia pressed Neville Chamberlain to stand with the United States against adjournment. Moreover, they wished him to unpeg the pound from the franc and follow President Roosevelt along the path of currency inflation. But Neville Chamberlain remained adamant against the latter policy.

On July 5 Secretary Hull spent a

busy day. He had persuaded the conference to await word from Washington explaining the President's policies, and was in direct communication with the White House. By evening he had drafted a skillfully worded document to soothe the feelings of the gold-standard nations. They were quick to see, however, that no real concessions had been made and that the message was a diplomatic attempt to draw the attention of the conference away from the "minor issue of temporary stabilization" toward what were vaguely called the "great problems" of world trade. The United States would not control the fluctuations of its currency abroad, for President Roosevelt believed that in view of the internal situation it was unwise to undertake the exportation of gold in order to support the dollar.

The steering committee met on the morning of July 6. As the first speaker Secretary Hull at once assumed the leadership. In calm phrases he set forth the argument against adjournment. "We ought not even to think of breaking up until agreement has been reached in every possible case. Where we cannot reach agreements we ought to recognize our differences, but in a cooperative spirit." He asserted that nearly all nations had leaned too far toward economic isolation; he urged the delegates to take up this question and try to find some remedy for the evil; and he appealed to them not to go home when they had barely scratched the surface of the great problems they had come to solve.

Viscount Ishii of Japan, which had nothing to gain at the conference except improved diplomatic relations, tactfully endorsed Secretary Hull. Finance Minister Jung then explained that in Italy's opinion the American

shift of policy had radically changed the basis for the conference. M. Bonnet came to his support, pointing out the inconsistencies of the American position. Without a monetary truce, he said, he did not see how the conference could continue. It was then the turn of Neville Chamberlain. Taking a conciliatory attitude, he said that both the United States and the gold nations were exaggerating. There were at least a few questions on which they could agree, and on certain others some compromise could assuredly be reached. In more vigorous terms Prime Minister Bennett of Canada argued against adjournment. How could the delegates go back home empty-handed? This note awakened sympathetic echoes among the score or more of delegates present, who were well aware that complete and admitted failure to achieve anything at London would result in political repercussions at home.

The drift of the meeting was by this time definitely toward Secretary Hull. Prime Minister MacDonald, who was presiding, expressed the opinion that most of the delegates seemed ready to go on with the conference provided they could find a new basis for discussion, eliminating highly controversial subjects. This was agreed to. A resolution was then adopted requesting each of the subcommittees to draw up a list of questions "which can in these circumstances be usefully studied by it." On this somewhat tentative basis the parley resumed activities, shaken and nervous from the experiences of the previous week but determined to prolong its existence and, if possible, smooth some ruffled national tempers. Much was done by Secretary Hull toward improving relations between the different delegations. Emerging from the comparative seclusion to which he had clung dur-

ing the early weeks of the conference, he took the lead in searching out "safe" questions which the gold nations would have no objection to discussing. Personally he made a strong impression of sincerity as well as skill in handling an extremely thorny diplomatic situation. James M. Cox, as chairman of the monetary division of the conference, also distinguished himself by holding in check members of the American delegation who were inclined to raise troublesome objections on minor points.

Pleased at the turn of events, President Roosevelt in Washington prepared a memorandum expressing his policy on the subjects before the parley. In doing this he had the advice of Norman Davis and Bernard Baruch. With a revival of hope thus achieved, the next question was what subjects of importance could be discussed by the conference. While the subcommittees wrestled over the agenda, M. Bonnet and his gold-bloc colleagues hastened to Paris, where they met at the Bank of France to discuss measures for safeguarding their currencies. They agreed to watch the speculative movement in exchanges, to set up a clearing house to keep each other informed, and in other ways to continue to act together.

Meanwhile Great Britain, who had hitherto leaned toward France on financial questions, seemed about to turn toward the United States and her experimental inflation program. In a discussion of the conference in the House of Commons, Neville Chamberlain declared that he agreed with the dominions that Great Britain's cardinal policy should be the raising of commodity prices. Following him, such diverse personalities as Winston Churchill and George Lansbury rose to approve President Roosevelt's

course and to suggest that Great Britain take the same route—for at least part of the way. A few days, however, were sufficient to show that Great Britain was not going to embark on inflation, that the pound was to be maintained at parity with the franc and that by no means was unreserved adherence to be given to President Roosevelt's policy. She stood, as before, on safe middle ground.

The only tangible achievement in the next weeks of the conference was an agreement between the silver-producing and silver-using nations not to dump their holdings on the world market. The principal champion of this plan was Senator Key Pittman of Nevada. After much discussion, unanimous consent was given on July 20 to a plan by which for the next four years India, China and Spain will export on an average not more than 40,000,000 fine ounces of silver a year, and the United States, Australia, Canada, Mexico and Peru will sell no silver whatsoever, but on the contrary will purchase annually 35,000,000 ounces of the metal produced by their mines. Statisticians lost no time in pointing out that under this scheme the American Government would have to absorb a trifle more silver each year than it is at present buying.

Wheat production, the most vital subject in the commodity field, was not officially part of the conference agenda. Delegates of the four great wheat-growing countries—the United States, Argentina, Canada and Australia—held prolonged discussions looking to the fixing of export quotas. When Australia objected to any agreement which did not include restrictions upon the exports of the Danubian wheat countries, the discussions were widened. The Danubian countries, however, refused to accept the

quotas offered or to relinquish for longer than the current year their preferential agreements with certain importing countries. It was hoped that persistent negotiations would eventually bring about a compromise. But in the last days of July crop news from the United States and Canada indicated a reduced wheat production, which, of course, rendered the restriction of exports much less urgent.

Meanwhile, the conference proper had accomplished little. The new agenda of topics not related to financial considerations offered such slender fare that it was hard to see how the delegates could continue their discussions. A French proposal for general adoption of a public works policy to reduce unemployment met with a pointblank refusal from Walter Runciman, the British spokesman. A systematic campaign by Prime Minister Bennett of Canada and General Smuts of South Africa to cajole Great Britain into a price-raising policy by credit expansion also encountered the stony opposition of Neville Chamberlain. Two subcommittees of the monetary commission had been entirely abandoned, while in the economic commission the important question of subsidies had been given up and the committee on production found itself unable to proceed for lack of information. In the course of a week only two resolutions, both innocuous, were agreed upon: one declared for closer cooperation among central banks and between central banks and the Bank for International Settlements at Basle; the other for direct negotiation between debtors and creditors and better organization of creditors in each country. It was therefore with a sense of the inevitable that the officers of the conference decided on July 14 to adjourn temporarily on July 27.

Most people felt this confession that

the conference was disintegrating to be overdue. For days special correspondents had been quietly drifting away from London. Finance Minister Jung had found it convenient to return to Italy; M. Bonnet was dividing his time between Paris and London, and Maxim Litvinov, chief Soviet delegate, had been absent since the parley reached its impasse on currency stabilization. There is no question that M. Litvinov carried away the greatest tangible successes achieved in London. [See Professor Furniss's article on page 757 of this issue.]

In the closing days of the conference only one mild sensation awoke the delegates from their torpor. On July 21 Secretary Hull forwarded to Hendryk Colijn, chairman of the economic commission, a resolution on tariffs, not for immediate discussion, as he explained, but for consideration during the recess. The proposal, while it laid down the principle of tariff reduction by bilateral or plurilateral negotiations, made room for President Roosevelt's industrial recovery program by a considerable list of reservations. That is, it excepted from the principle "new measures of emergency character" for the purpose of raising costs and prices, provided that any new duties imposed as part of these measures should be intended only to prevent "an excessive influx of imports of particular commodities," and should not be discriminatory as between nations. Secretary Hull's plan was carefully worked out, with an exact definition of terms and is calculated to give the experts who will remain at work during the recess the opportunity of elaborating a practical international tariff truce. As the gathering ended the delegates almost unanimously expressed the opinion that the world's greatest need is the removal of trade barriers.

After adjournment the fate of the conference was left in the hands of an executive committee composed of its chief officers or their deputies and representing seven nations—the United States, the Netherlands, France, Italy, Austria, Germany and Argentina. To them falls the task of organizing committees which shall explore subjects and prepare for a possible reconvening of the parley. If it is called again, they will decide where and when. Some optimists believe that plenary sessions will be reopened in the Autumn, but this depends on American progress toward currency stabilization and French success in avoiding a financial crisis. [Two other accounts of the conference, sent from London before its adjournment and written respectively by H. B. Lees-Smith and William Hard, will be found on pages 649 and 655.]

DISARMAMENT

When the Disarmament Conference at Geneva recessed over the Summer months, plans were made for informal negotiations on arms restriction. Eighteen months of work at Geneva had produced not the slightest tangible result and had left even Arthur Henderson, president of the conference, in a depressed state of mind. Rallying his spirits, however, he set out in July on a one-man campaign to promote his cause among the governments of Europe. He announced as the chief topic for consideration an extremely modest phase of the whole great problem—the control of the manufacture of war materials.

Mr. Henderson's first stop was in

Paris for conversations with Premier Daladier and Foreign Minister Paul Boncour, who suggested that if any practical method of controlling armaments could be agreed upon and tested for four years they might at the end of that period begin to disarm. The question was, How could the governments regulate the manufacture of arms, especially in private factories? They also pointed out that as far as general disarmament was concerned, they could not ignore the work of the Nazi government in reorganizing Germany's army as rapidly as possible under the guise of police forces. On the other hand, France realized that if no disarmament proposal was agreed upon, Germany would carry out her threat to bring her armaments up to the general level.

In Berlin Mr. Henderson announced a new plan. He said he would try to persuade Chancellor Hitler and Premier Daladier to get together and talk it over, since, if France and Germany could agree, the main obstacle to disarmament would have been overcome. To put the scheme before the Chancellor he traveled to Bavaria, where Hitler was vacationing. There he met the expected difficulty. Hitler "was not persuaded."

More significant news on armaments has come from the United States and Japan. The United States in July began a three-year naval construction program calling for thirty-two warships at a cost of \$238,000,000. Japan, not to be left behind, drew up plans for thirty-six war vessels at an estimated cost of \$50,400,000.

The Great American Experiment

By E. FRANCIS BROWN

IT is Midsummer, 1933. The United States is engaged in a gigantic struggle to restore economic prosperity, to re-employ the millions of men and women out of work, to start again the wheels of industry, to restore the purchasing power of the farmers. The struggle is more than that. It is a fight between old ideas and new; it is a transition from one concept of "a political economic system to another." Donald R. Richberg, general counsel for the National Industrial Recovery Administration, has gone still further; he says that "the long-discussed revolution is actually under way in the United States."

That great changes were at hand had been apparent almost from the hour the Roosevelt administration took office. In the very way in which its members went about their tasks a new spirit was manifest, and as the various measures in the Roosevelt program were passed by a submissive Congress the New Deal was revealed to be far more than a revived progressivism. Fundamental to the entire drive for economic recovery is the belief in social planning, planning for industry and agriculture which will include the redistribution of population and the efficient use of national resources. President Roosevelt expressed this philosophy during his campaign a year ago; few of his listeners took heed. Now, however, they witness the embodiment of this philosophy in measure after measure, the greatest of which is the National Industrial Recovery Act.

This act was signed on June 16. A month later, though many codes of fair competition had been submitted, only one—that for cotton textiles—had been accepted and promulgated. General Hugh S. Johnson, administrator of the act, and the President had come to realize during that month that the adoption of codes could not be as rapid as had been hoped. Not only have those carrying on industries found it difficult to agree among themselves and on wage and work schedules, but the codes, once adopted, must run the gauntlet of public hearings and finally be accepted by the National Recovery Administration and by the President. Moreover, this delay, which probably was inevitable, permitted manufacturers to run their mills at capacity, producing goods for which the demand at the moment was non-existent, but goods which might later be sold at a fancy profit when the higher operating costs inherent in NRA became effective. At the same time wage scales and unemployment figures showed but little change. The prospect of production running far ahead of purchasing power and consumption was not pleasant to contemplate.

President Roosevelt and General Johnson therefore set about finding some way to overcome the barriers to immediate effectiveness of the act. Their twin purposes, their clues to recovery, are increased purchasing power and greater employment. With industry increasing production to a point wholly unwarranted by the

slight rise in purchasing power, General Johnson as early as July 7 warned industry that "if we get too far ahead of our purchasing power it will mean a new collapse." His warning was intended to speed up the submission of the industrial codes of fair competition in which a reviving business community was losing interest, but it also forecast the possibility of an obligatory code for all industry. Eventually a blanket code for minimum wages and shorter hours was drawn up by NRA and, since the legal power to enforce such a code was lacking, acceptance by business was made voluntary.

But acceptance was not altogether as voluntary as appeared, for it was thought necessary to use the methods of high-pressure salesmanship to force business into line. The campaign for adoption of the blanket code was opened by a nation-wide radio address by President Roosevelt on July 24. Calling upon the American people to join in "this great Summer offensive against unemployment," he outlined the theory of the National Industrial Recovery Act and set forth his faith in the soundness of its provisions as a way to pull the country out of the depression. The blanket code, whose acceptance he was urging, had been made public a few days earlier. It banned child labor, established a working week of thirty-five hours for industrial workers and of forty hours for white-collar workers. Minimum wages in industry were set at 40 cents an hour; the minimum wage for white-collar workers would vary, according to the size of the community, from \$12 to \$15 a week. Copies of this code in the form of an agreement between the employer and the President of the United States were distributed throughout the country and a drive for signatures opened which, by Aug. 1, had brought approximately 700,000

employers under the code. In order to mobilize public opinion behind the blanket code, every employer, on accepting it, was permitted to display the insignia of the "Blue Eagle," which identified those cooperating in the drive for recovery. A boycott of those concerns not displaying the Blue Eagle was suggested.

The blanket code became effective on Aug. 1, bringing to hosts of workers a shorter working-week than they had ever dared to expect. It is the hope of General Johnson and his colleagues that the restriction on the hours of labor and the increased purchasing power that will arise from higher wages will bring about almost immediately re-employment of a goodly proportion of the millions now without work. Estimates of the number likely to be affected varied all the way from a conservative figure of 2,000,000 to a total of 6,000,000; even the smaller number would make a noticeable dent in the total of 11,000,000 Americans that were estimated to be still without employment.

The first code of fair competition to be adopted was that for the cotton textile industry. Hearings on it, as submitted by the industry, began in Washington on June 27. The manufacturers proposed a forty-hour week throughout their industry and a minimum wage of \$10 a week in the South and \$11 in the North. Though organized labor sought to reduce the length of the working-week, the forty-hour provision was allowed to stand. Minimum wages, however, were increased to \$12 a week in the South and \$13 in the North. General Johnson and other members of NRA were known to favor a much shorter work schedule and yet, if one recalls that for years cotton textile workers fought for a forty-eight-hour week, the forty-hour standard was indeed an achieve-

ment. But most notable of all was the voluntary abandonment of child labor by the manufacturers. Thus came to an end an old evil which more than a generation of effort had been unable to stamp out. On July 17 the cotton textile code went into operation and by Presidential order, in agreement with those industries, was extended to include the rayon, cotton thread, silk and thread-twisting manufactories, affecting in all about 700,000 workers. This code, it was believed, would eventually force the hiring of about 100,000 additional workers.

Critics of NRA were not slow in pointing out that a tactical error had been made in permitting a forty-hour week to cotton textiles since the provisions of that code were certain to be copied by other industrial groups. Shipbuilders, for instance, asked for a forty-hour week in the face of a demand for thirty hours by the American Federation of Labor. After a series of stormy meetings in which neither the shipbuilders nor labor could agree on the length of the working week, General Johnson forced the industry to compromise by accepting a thirty-two-hour week in yards where government construction is under way and a thirty-six-hour week in all other yards.

Already, while many codes have still to be filed with NRA, and hearings have been held on only a comparatively few, certain problems, inherent in the regimenting of a complex, capitalistic economy have arisen. The first concerns the perennial conflict between capital and labor. Under the terms of the Recovery Act, employees are not to be discriminated against for joining a labor organization or for not joining a company union and are guaranteed the right of collective bargaining. Seemingly, here is a great opportunity for labor to advance its

cause and to secure unionization throughout industry. The A. F. of L. has since the passage of the act been most active in organizing industry, competing at the same time, if reports are true, with employers who seek to establish company unions before submitting a code of fair competition. Such a contest, of course, involves the principle of the closed or open shop. For certain industries, particularly steel, the open shop has long been almost a religion, and they refuse to abandon that faith without a hard fight. In the hearings on the steel code, held on July 31, the industry, while affirming its belief in the principle of the open shop, accepted collective bargaining and agreed not to require employees to join a company union or to shun a free labor organization.

Whether apparent surrenders like this of the steel industry will actually insure workers collective bargaining and freedom from the coercion of company unions must await the test of time. Labor leaders certainly were unconvinced.

Another of the difficulties under the NRA is the fundamental one of agreeing on a code. Some of the basic industries, notably soft coal and oil, found it all but impossible to sink their differences. Separate codes were eventually filed by different associations of bituminous coal producers after a single agreement proved to be out of the question. The coal industry found its position complicated by widespread strikes in Pennsylvania which arose largely over the issue of union recognition. Though an oil code was submitted to General Johnson, its provisions were the subject of controversy between the major producers, the independents and labor. After three days of fruitless hearings, General Johnson decided on July 26 that

Federal officials would have to write the code themselves. Five days later he submitted to the industry a code which would establish control of production through an agency designated by the President. Previously Federal control had been extended over oil in interstate commerce.

Exactly how the blanket code and the codes of fair competition are to be enforced is a question arising in many minds. The licensing provision of the recovery act seems to provide for enforcement, but a law is not worth much unless there is really some one to enforce it. The textile code provides that the industry shall police itself, a plan that does not appeal to labor and that seems to leave many loopholes for violation, especially when industry has adapted itself to the new conditions created by NRA.

In the nation's press, a considerable section of which is covertly hostile to the administration's plans for recovery, it has been pointed out that the shorter working week and higher wages may well ruin the small producer whose efficiency is none too high. Thus it might be that in the end the forgotten man of last Fall's campaign would again suffer at the hands of the large-scale producer. At the very beginning concession had to be made to obtain the adoption by certain interests—retailers and bankers, for instance—of the blanket code. Its enforcement through the pressure of public opinion has been deplored as likely to arouse all manner of local jealousies and animosities as well as incitement to unjust persecution. Moreover, the arousing of emotional fervor to carry out the recovery program threatens to create a regimentation of conduct and opinion that will smother old civil liberties. In this regard the words of General Johnson,

uttered in a speech at Harrisburg, Pa., on Aug. 2, are not without significance: "The whole nation is behind President Roosevelt and God help the man or group of men who stand in the way."

Liberal critics have regarded the position of labor under NRA with suspicion, fearing that in the end the worker will find himself worse off than ever. Will not minimum wages tend to be maximum wages also? Will not the right of collective bargaining become meaningless? Can workers strike in an industry that is operating under an approved code? Will not employers continue to exploit as always? What becomes of existing labor contracts? These questions are being asked in many quarters; the doubts they express are legitimate, though it must be added that the NRA leaders do not intend to favor unduly either capital or labor.

Certainly business is in danger of losing some of its old privilege. Donald R. Richberg told the Merchants Association of New York on July 6 that "unless industry is sufficiently socialized by its owners and managers so that great essential industries are operated under public obligations appropriate to the public interest in them—the advance of political control over private industry is inevitable." During the hearing on the steel code the Secretary of Labor criticized in forthright fashion the attitude of that industry toward working conditions and wage scales. General Johnson, however, at all hearings has been scrupulously non-partisan, insistent that neither employer nor employee shall use NRA for his own ends.

Another aspect of NRA has been somewhat neglected by its critics—its steady trend toward the left. Talking about a planned economy is one thing, putting it into practice another. Meas-

ures that seem adequate at first are later discovered to go only part of the way. If the original goal is to be reached, then control must be extended. Thus it is possible that in the attempt to regulate industry, to insure that production and consumption approach a balance, many familiar social landmarks will disappear, not least among them being the trade unions. [See Dr. Lorwin's article, "The Challenge to Organized Labor," on pages 669-675 of this issue.]

Public interest in the industrial clauses of NRA has been so great that the \$3,300,000,000 public works program embodied in the act has been overlooked. Nevertheless, under the direction of Secretary Ickes, who on July 8 was made Emergency Administrator of Public Works, allotments for construction have been approved speedily. Mr. Ickes has divided the country into ten regional zones, each under a regional administrator, in order that the public works program may be carried out efficiently. Before funds are allotted for any project, the approval of the Cabinet Advisory Board of the Public Works Administration and of the President is necessary. Secretary Ickes on July 2, before his appointment as administrator, assured the country that as far as possible graft would be absent from the public works program. "We will seek," he said, "to safeguard all public works undertaken by us from corruption or graft. We will see to it that the works are carefully inspected during their progress so that the taxpayers of the United States who are so generously contributing to this vast fund for the common good may be assured that every dollar spent represents a dollar of value."

The program, whose aim is to provide employment for at least 1,000,000 men by Oct. 1 and to stimulate indus-

try to such an extent that many other workers will benefit indirectly, moved ahead so rapidly that by Aug. 1 grants totaling over \$1,000,000,000 had been made. Besides the \$400,000,000 allocated to the States for highway construction and the \$238,000,000 to be spent on naval construction, the projects approved by the Public Works Administration included \$63,000,000 for a power dam and reclamation project in the Columbia River, \$22,700,000 for flood control and reclamation in the North Platte River in Wyoming and \$25,000,000 to assist the urban unemployed to settle on small farms where it would be possible to raise enough food for subsistence. "The plan," Secretary Ickes has said, "is not to get people out to farm a 150-acre place, but to provide them with a small tract where they can sustain themselves while partly employed." Many small projects have been approved and added to the public works program, but Mr. Ickes has emphasized repeatedly that this part of the NRA is not to be considered a "grab-bag."

Among the other government aids to re-employment are the Muscle Shoals development [see Dr. Morgan's article, "Planning in the Tennessee Valley," on pages 663-668 of this issue], a national chain of employment agencies financed by the Public Works Administration and the Civil Conservation Corps. In a radio address to the corps on July 17, President Roosevelt said: "You are evidence that we are seeking to get away as fast as we possibly can from soup kitchens and free rations, because the government is paying you wages and maintaining you for actual work—work which is needed now and for the future and will bring a definite financial return to the people of the nation."

Meanwhile, the Federal Emergency

Relief Administration, under the direction of Harry L. Hopkins, has continued its grants of relief to States. At the end of July the grants had been made for the most part on the basis of one dollar of Federal funds for every three dollars expended by the States. During May and June \$51,531,731 was distributed among forty-five States, the District of Columbia and Hawaii. While appeals for aid during July declined somewhat as improved business conditions and seasonal factors lessened the burden on the States, grants were continued, bringing the total on July 25 up to \$88,174,275. Mr. Hopkins has continually warned the States that they must do their part in raising relief funds; it was on that basis that in July he refused the request of Ohio for \$4,000,000. In the hope of weeding out many individuals on the relief lists, the Federal Administrator has sought to coordinate his work with that of NRA and the Federal employment service.

While the Roosevelt administration's attack at the moment is upon unemployment, it must not be forgotten that in a slower and less spectacular manner the administration is carrying out other measures which seek to rehabilitate the nation's social and economic life. Among these is the refinancing of mortgages on homes. The Home Loan Bank Board has been establishing a nation-wide organization which will remove the threat of mortgage foreclosure that now hangs over the head of many a home owner. State managers of the Home Owners Loan Corporation have been appointed and gradually home financing institutions are being admitted to membership in the corporation. But the organization by Aug. 1 had not progressed far enough for fair judgment of its work.

Another of the emergency acts, that affecting the railroads, is becoming effective. Joseph B. Eastman, Coordinator of Transportation, announced on June 22 that the railroads of the country had been divided into three groups—Eastern, Southern and Western—for the purpose of setting up regional coordination committees. These committees, without official compulsion, are to work out economies in railroad operation, eliminating, as far as possible, uneconomic practices and duplication of services. Mr. Eastman is anxious to recover much of the traffic which the roads have lost to competing services, like motor trucks and bus lines. With that aim in view, departments have been set up at Washington to deal with freight service, car pooling and purchases. As one move toward economy Mr. Eastman told the heads of the principal railroads on July 14 that "salaries at or near the top" should be adjusted to changed conditions. "The railroads," he declared, "have been paying to various chief executives, and to some others, salaries which I believe the people of the country quite generally regard as excessive and unjustified." Meanwhile, the business recovery in the United States had been reflected in greatly increased railroad income. The Pennsylvania Railroad, for example, by repaying at the end of July a final instalment on a loan of \$28,900,000 extended to it by the R. F. C., became the first large road to pay off completely its debts to the R. F. C.

The many-sided program for farm relief developed steadily during July. Wheat, in large part as the result of speculation following reports of a small crop in the United States, rose at the end of June to approximately a dollar in the Chicago pit. Nevertheless, the government applied a proc-

essing tax of 30 cents a bushel on wheat milling, which became effective on July 9. The new tax led immediately to a rise in the price of bread, with incidental charges of profiteering and threats of prosecution by the Department of Justice. Though still hoping that some good might come from the wheat conference in London, the Agricultural Adjustment Administration went ahead with its plan for wheat allotments and prepared to open an "educational campaign" in the West for the reduction of wheat acreage. As soon as county wheat production control associations can be organized, partial advance payments will be made to those farmers who contract to reduce their acreage. In the meantime export outlets for wheat and other farm products were being sought by the farm administration.

Following an appeal from the President and an intensive drive by the Agricultural Adjustment Administration, more than 10,000,000 acres of cotton had been offered for destruction by July 17 under the land-leasing and option plan. (See August *CURRENT HISTORY*, page 590.) About 3,500,000 bales of cotton would thus be taken out of production. Meanwhile, cotton, like wheat, rose rapidly in price on the cotton exchange, but in the face of a price that would seem to promise a profit to the Southern grower, President Roosevelt on July 14 authorized a processing tax of 4.2 cents a pound on cotton, effective Aug. 1. Reduction of the acreage of cigar-leaf tobacco was likewise under way. About \$3,500,000 was to be distributed among tobacco growers in return for agreements to reduce the present year's crop by 50 per cent.

On July 31 an agreement for the marketing of milk in the Chicago area became effective after the Secretary

of Agriculture had approved the code. To enforce the provisions, which aim to guarantee higher prices to milk producers and to end the periodic milk-price wars of the region, the licensing features of the Agricultural Adjustment Act have been invoked. Only producers and distributors who accept the agreement can obtain the license necessary for operation. Independent operators immediately threatened to test the constitutionality of the licensing system.

The Farm Credit Administration at the beginning of August was prepared to push ahead with its plans for refinancing farm mortgages. A large staff of appraisers has been gathered to conduct a county-by-county campaign for the purpose. Henry Morgenthau Jr., governor of the Farm Credit Administration, declared that since May 114,000 applications had been filed with the Federal Land Banks for refinancing. To some extent the increase in land values that has accompanied the rise in the price of agricultural products has weakened the demand for Federal aid since mortgage holders are unwilling to scale down their claims to the point necessary if Federal refinancing is to be applied.

To coordinate the complex machinery which has been established for recovery, President Roosevelt on July 11 created an executive council composed of the members of the Cabinet and the heads of the agencies set up by Congress. Frank C. Walker, treasurer of the Democratic National Committee, was appointed secretary and coordinator of the council which, in addition to the members of the Cabinet, consists of the following:

Lewis W. Douglas, Director of the Budget.

Jesse H. Jones, Chairman of the R. F. C.

HUGH S. JOHNSON, Administrator of NRA.

GEORGE PEEK, Administrator of Agricultural Adjustment.

HENRY MORGENTHAU JR., Governor of the Farm Credit Administration.

WILLIAM F. STEVENSON, Chairman of the Board of the Home Loan Corporation.

HARRY L. HOPKINS, Federal Relief Administrator.

ARTHUR E. MORGAN, Chairman of the Board of the Tennessee Valley Authority.

JOSEPH B. EASTMAN, Federal Railroad Coordinator.

ROBERT FECHNER, Director of the Civilian Conservation Corps.

As the recovery program has got under way, an amazing business activity has swept the nation. Though undoubtedly much of the increase has been speculative and the result of a demand for goods from retailers and wholesalers who hoped to stock up before increased costs of production curtailed profits, retail trade also showed an improvement that was significant even if it did lag behind the new business of manufacturers. *The New York Times* index of business activity rose from 93.8 for the week ended June 24 to 99.0 for the week ended July 15, but by the week ended July 29 the index had sagged to 92.0.

Employment naturally was affected by the revival in business. In June there was a gain of 7 per cent over May in the number of workers, though William Green, president of the American Federation of Labor, declared on July 25 that the rate of improvement was slackening and that about 11,000,000 persons were still out of work. This slow rise in employment with its attendant effect on purchasing power of course explains the necessity of the blanket code described above.

The business improvement was accompanied by a startling speculative movement in the stock and commodity markets that was reminiscent of 1929. On the New York Stock Exchange the volume of trading in June

was the largest on record for that month. With the rapid turnover in securities, quotations rose to figures out of all proportion to real values until July 19 when a break occurred which brought about a rapid tumble in the value of stocks; commodities, which had been pushed to almost undreamed-of heights, likewise reacted violently. On July 21 the New York Stock Exchange experienced the fourth heaviest turnover in its history when trading totaled 9,573,000 shares. *The New York Times* index of fifty stocks showed a decline in value of 18 per cent during this period of liquidation. To avert what promised to be a disastrous collapse in commodity prices the Chicago Board of Trade in agreement with the Secretary of Agriculture restricted grain trading by regulations which included limitation on the fluctuations in prices during any one day. Moreover, the New York Exchange on Aug. 2 adopted new regulations governing margin requirements, pools, syndicates, joint accounts and options, which were calculated to curb excessive speculation.

A rise in Treasury receipts for the first twenty-seven days of July encouraged government officials to believe that better business would make a balanced budget possible. For the fiscal year which ended on June 30 the deficit amounted to \$1,786,000,000, compared with \$2,880,000,000 for the previous year—the third year in which the government's expenditures have exceeded income. On July 5 the government put into operation a system of an ordinary and an extraordinary budget. In the second category will be listed all expenses entailed by the recovery program. While, thanks to economies and increased revenues, the government may be able to keep its ordinary budget in balance, the extraordinary expenditures will con-

tinue to increase the public debt from the present total of \$22,611,204,500 to a figure which may eventually surpass the 1919 peak of \$26,500,000,000. Meanwhile, Professor James H. Rogers of Yale and Professor George Warren of Cornell have been chosen by the President to study the national debt with a view to putting forward a re-financing program.

Considerable improvement in the government's financial position as well as in that of the local political divisions is certain to follow what now appears to be the inevitable repeal of the Eighteenth Amendment. During July, Alabama, Arkansas, Tennessee and Oregon voted for repeal, bringing the total number of States in favor of revising the system of prohibition to twenty. Enough States are now certain to vote on repeal before the end of the year to restore the liquor traffic in America.

Patronage has continued to disturb members of the Roosevelt administration, especially Postmaster General Farley, the dispenser of political plums. While the struggling for office has not been allowed to impede the work of the government, the throng of job-seekers has been a plague in the capital. On July 12 President Roosevelt dropped a bomb into his party's ranks in the form of an executive order requiring civil service examinations for all applicants for postmasterships. At the same time the President requested the Postmaster General to prepare legislation to be introduced at the regular session of Congress to place all postmasters on a strictly civil service basis. If such leg-

islation is made law, 15,032 postmasterships, which have long been passed around as rewards for political service, will become career posts.

THE ISLAND DEPENDENCIES

The Philippines during July witnessed a heated political contest which revolved about the Hawes Independence Act. Manuel Quezon, who led the opposition to the law, manoeuvred his forces in the Legislature so skillfully that Sergio Osmena and Manuel Roxas, members of the Philippine Independence Mission and supporters of the Hawes Act, were deprived of their legislative offices. Roxas was ousted as Speaker of the House, while Osmena lost his position as president pro tempore of the Senate. Feeling against the act has reached a point where it is unlikely that the insular Legislature will ever submit the law to the plebiscite provided for in the independence act. Much of this hostility has been created by misrepresentation and is the result of a factional political fight, though it is undoubtedly true that many Filipino leaders consider that the independence bestowed by the Hawes Act is too restricted and uncertain.

The new Governor of Puerto Rico, Robert H. Gore, seems to have made a favorable impression in the territory. In his inaugural address, delivered on July 1, he suggested that an end to homelessness, hunger and unemployment might be found if large landholders would share their holdings with their employees. Governor Gore also protested against exploitation of the working class.

American Mediation in Cuba

By CHARLES W. HACKETT
Professor of Latin-American History, University of Texas

PEACE negotiations between representatives of the Machado government and of the various opposition groups were formally begun on July 1 with United States Ambassador Sumner Welles acting as unofficial mediator. The Veterans of Cuba's War for Independence and the Union Nacionalista, an outlawed political party that has long been a foe of the Machado régime, had on June 23 and June 27, respectively, accepted Ambassador Welles's good offices after three other factions had accepted his mediation earlier in the month. Only two groups—the Havana University students and the followers of ex-President Menocal—were now undecided about accepting mediation; while one out-and-out dissident faction, the High School students, on June 24 formally rejected the mediation of Mr. Welles. These three groups represent only a small percentage of the opponents of the Machado régime, so that their attitude was of slight importance. Juan Blas Hernández, noted revolutionary leader of Santa Clara Province who has been popularly styled "the Sandino of Cuba" because of his guerrilla warfare against government forces since he took up arms against Machado in 1931, consented on June 28 to accept Mr. Welles as mediator. He thereupon suspended hostilities and withdrew to his farm near Yaguajay.

Ambassador Welles began proceedings by reading a special message from President Roosevelt, first to the

three delegates of the Machado government, and later to the eight delegates and thirty-two committeemen representing the opposition factions. In this message President Roosevelt said: "I am convinced that the restoration of political peace is a necessary and preliminary step on the way to Cuba's economic recovery. The representatives of all factions may rest assured that the moral support of the American people will be behind these attempts at a peaceable adjustment of Cuban problems through the orderly procedure of constitutional government." Ambassador Welles, in addressing both delegations, made it clear that his offer to serve as mediator had not been made until he knew that it would be accepted. His services, he said, merely implied an opportunity to present through him to the Cuban Government "suggestions proffered by representatives of those groups and parties in opposition to the government for a solution of the problems which exist," and for the representatives of President Machado to present their counter proposals in the same way.

On July 5, after holding a lengthy conference with representatives of the opposition groups, Ambassador Welles released the following statement: "This afternoon I had the pleasure to inform the opposition delegates that the representatives of the President of the republic agrees with a great part of the guarantee measures suggested by the opposition factions for

the development of the mediatory negotiations, and that other measures proposed are favorably considered by government authorities." Two days later representatives of President Machado guaranteed full protection to all opposition factions that had accepted the mediation of Ambassador Welles. That same day eighteen political prisoners were liberated, thereby leaving, according to Secretary of War and Navy Herrera, only forty-five still in prison.

It was unofficially reported on July 15 that the negotiations were progressing satisfactorily, but none of the more difficult problems had yet been considered. That same day the dissident student directorate of the University of Havana stated that they preferred to continue their "struggle against the Machado tyranny and to sacrifice" their lives rather than accept American mediation in Cuba's political affairs. "We cannot," the statement added, "enter into any discussion, even by proxy, with our executioners and assassins, nor acknowledge — a condition imposed by Mr. Welles—a juridical status which we will continue to consider illegal, since it emerges from the transgression of constitutional principles which we have heretofore held inviolate." The efforts of Ambassador Welles were loudly denounced in Havana on July 29 by a crowd of several thousand persons after they had been addressed by two students who had been liberated under a new political amnesty bill, signed by President Machado on July 26.

What was probably the sharpest rebuke by the general public to the Machado administration since the suspension of constitutional guarantees two years ago came on July 17 when all business was halted in Havana from noon until 6 P. M. as a protest

against the government's plan to impose new taxes and increase existing ones. Six thousand persons, representing all branches of trade and industry, marched to the Capitol to protest to the House of Representatives which was then considering the tax measure, which had previously passed the Senate. To all appearances decidedly on the defensive, President Machado on July 26 visited the Cuban Senate for the first time in two years and in an informal statement to Senators regarding the mediation of Ambassador Welles, said: "Do not fear that the mediator is doing this on behalf of his government. He is acting entirely on his own. If it were not thus, either he would not be doing it or I would not be President of the republic. Not one single time has Welles gone over the President's head." At the same time President Machado reiterated his determination to remain in office until May 20, 1935.

A decree extending the suspension of constitutional guarantees in Havana Province for another year was signed by President Machado on June 23. Authorization for that action, the legality of which was in dispute, was granted to the President on June 21; at the same time he was given discretionary power to continue military rule throughout Cuba until the expiration of his term in 1935. The re-establishment of constitutional guarantees in Havana Province for twenty-four hours, beginning at midnight on July 15, was decreed in order to allow provincial electors to go to the polls for elections in several districts on July 16. The censorship on newspapers, which has been in effect for two years, was also temporarily lifted for the day. Ten days later President Machado informed the Cuban Congress that he had restored constitutional

guarantees in Havana Province as required for the continuance of the peace negotiations.

Women school teachers on July 22 staged a demonstration through the streets of Havana in protest against the non-payment of their salaries for eleven months. They demanded immediate payment, the release of Professor Felipe Donate, recently arrested for distributing subversive literature, and guarantees for the prompt payment of their salaries in the future. Fifteen of the teachers were arrested after their demonstration had been broken up by police reserves. A week later fifteen persons were wounded at Santa Clara when police and soldiers fired into a crowd of unpaid school teachers who had marched to the local prison to protest against the arrest of several of their number a few minutes earlier.

Cuba was threatened with a general strike as a result of the rapidity with which a walkout of street-car operators in Havana at midnight on Aug. 2 spread to other systems of transportation and to business and industry. Within forty-eight hours business throughout Cuba was practically paralyzed. Contrary to its usual violent methods in dealing with labor disturbances, the government ignored the strike and made no effort during the first two days to bring employers and workers together. There was, however, a minimum of rioting. Though a decree was immediately drafted to put Cuba under martial law, President Machado did not sign it because of the absence of serious violence on the part of the strikers.

CALLES PROMISES MEXICAN NEW DEAL

Leadership in a Mexican recovery program covering the six years of the

next Presidential term, which begins in 1934 (the details of which were summarized in the August CURRENT HISTORY), was assumed on July 30 by former President Plutarco Elias Calles, known as the "Strong Man of Mexico." In an address to 10,000 workmen who filled the street before his Mexico City residence soon after he arrived from a four-month sojourn in Lower California, General Calles declared that Mexico did not want economic warfare and that in such an eventuality Mexico would cooperate to the fullest extent with the other nations of the American Continent.

The formation of a political bloc of Senators and Deputies for the purpose of promoting the candidacy of Rodolfo Elias Calles, the 33-year-old son of former President Calles, for the presidency of the dominant National Revolutionary party, was reported from Mexico City on July 9. Since 1924, when Rodolfo Elias Calles abandoned a commercial career to accept his first major political office as State Treasurer of Sonora, he has attained ever-increasing honor and prestige and at present is Governor of Sonora.

During the past fifteen years this State has dominated Mexican national politics through the vigor of such leaders as the late Alvaro Obregon and former President Calles. Because of his own ability, as well as the great influence of his father, young Calles will probably go far at Mexico City.

The improvement of trade relations between the United States and Mexico was discussed informally at a conference in Washington on July 27 between President Roosevelt and Mexican Finance Minister Alberto Pani. Accompanying Señor Pani to the White House was Ralph W. Morrison of San Antonio, Texas, who was a delegate to the London conference.

The refusal of a United States Consul, based on a technicality, to grant visas to Mexican Catholic young women who sought to go to the United States to study nursing in religious institutions, was set aside by United States Ambassador Daniels on June 29. Archbishop Pascual Díaz made a personal appeal from the Consul's ruling. He gave Ambassador Daniels assurances that the young women would not become public charges in the United States.

The killing by the United States Border Patrol of a Mexican citizen, thought to be smuggling alcohol across the Rio Grande, was reported to the State Department by United States Consul Blocker at Ciudad Juárez on July 10. He stated that indignation among Mexicans on both sides of the border had resulted in protests being made by the Mexican Consul General at El Paso and the Mexican Military Commander at Ciudad Juárez. These officials asserted that the United States Border Patrol was using guns without giving Mexican citizens crossing the river an opportunity to surrender.

CENTRAL AMERICAN NATIONALISM

Evidence of increasing nationalism in the Central American countries accumulated during July. To stimulate the production of foodstuffs in Nicaragua an additional customs duty of 12½ per cent was imposed on flour and rice in July. The posting of bonds of \$500 with the government by Chinese who marry Nicaraguan women became obligatory early in July. The sums thus deposited will be used to repatriate the wives, should their husbands desert them, or to permit them to revisit their native land if they so desire. Traffic regulations and inno-

vations established in Managua by United States Marines, who were withdrawn early in the year, were discontinued on July 8. The following day President Sacasa decreed that because of the depression only Nicaraguans would be permitted to work on government wharves and Nicaraguan ships.

Legislation requiring all insurance companies to deposit securities to the value of \$30,000 gold with the National Bank for permission to continue operating was passed by the Nicaraguan Congress on July 13. In order to improve communications between the widely separated towns of Nicaragua, the government contracted with an Italian company late in July for air mail and transportation throughout Nicaragua. The contract is for three years and provides for air service to all cities where there are flying fields.

The arsenal of the Nicaraguan Guard in the Campo de Marte in Managua was wrecked by a terrific explosion on the night of Aug. 1. President Sacasa immediately proclaimed martial law in the capital and a state of siege for the rest of Nicaragua. The President said he believed that the explosion "was no mere accident," and began an official investigation.

In Panamá, increasing nationalistic sentiment culminated in a demonstration of 5,000 persons on the night of July 8 before the Presidential Palace in Panamá. The demonstrators demanded the deportation of unemployed foreigners as a relief measure for native workmen. President Arias promised that the government would take action to repatriate idle foreigners. Reduced appropriations for Panamá Canal work have resulted in the discharge of many West Indians who live in Panamá. Many of these have been returned to their homes by the Canal Administration.

The Passing of Irigoyen

By HENRY GRATTAN DOYLE
Professor of Romance Languages, George Washington University

HIPOLITO IRIGOYEN, President of Argentina from 1916 to 1922 and from 1928 until he was deposed by the Uriburu revolution of September, 1930, died in Buenos Aires on July 3. In failing health at the time of his fall, he steadily lost ground thereafter, and even his release from imprisonment, six months ago, brought no improvement in his condition. Rightly called "The Last of the 'Caudillos,'" Irigoyen claimed as his outstanding achievements the maintenance of Argentine neutrality during the World War and the development of the Radical party. The former contributed, for the time being at least, to the prosperity of his country. The latter gave a concrete illustration, the first in Argentine history, of the power of an untrammeled exercise of the suffrage.

The funeral of the ex-President on July 6 was the occasion of a great popular demonstration of admiration for "El Viejo" (The Old Man), as he was called. The government decreed a State funeral and the traditional ten days' official mourning for its late political opponent, but refused to allow the body to lie in state in the cathedral or in a public square. Because of this refusal Irigoyen's daughter declined the State funeral and the profered guard of honor of four regiments, but the government announced that the escort would be provided in any case. Admirers of the late President, however, took matters into their own hands. A crowd estimated at 250,000 assembled for the procession, over

50,000 arriving by special trains from the interior. When the coffin was brought down from the old man's apartment the mob refused to allow it to be placed in the hearse, and twenty young men carried it on their shoulders to Recoleta Cemetery. Police and army escorts were swept aside by the crowd, but the military participated in the ceremonies at the cemetery, the artillery firing a salute of twenty-one guns. Leading members of the Radical party, among them former President Manuel T. de Alvear and Honorio Pueyrredón, former Ambassador to the United States, delivered eulogies at the graveside.

Though never married, Irigoyen left four children, one of whom, a son, was reconciled to him before his death after having refused to speak to him for thirty years. A daughter, who had cared for him in his last illness, brought suit for the possession of Irigoyen's estate, which amounted to about \$5,000 in cash, \$20,000 in bonds and three ranches worth about \$200,000, the larger two of which have been occupied for several years by squatters, from whom Irigoyen never attempted to collect any rent. This domestic and financial situation is important only because it illustrates the lack of orderliness which was a dominant characteristic of Irigoyen and which, carried into public life, contributed so largely to his fall.

In its editorial comment on the passing of Irigoyen, *La Nación* of Buenos Aires, a consistent newspaper

opponent, said: "He was our last *caudillo*, genuinely Argentine and genuinely [South] American, with the perspicacity, the penetrating divination of the defects of others, the craftiness of his type. Otherwise his influence and his ability to maintain his equilibrium could not be explained. One does not hypnotize [*sugestionar*] a whole country without possessing qualities to hypnotize on such an enormous and lasting scale. * * * In internal matters he administered without governing—administered by letting things go, by delay, by forgetfulness."

If Irigoyen, with the stubbornness perhaps inherited from his Basque ancestors and reinforced by the idiosyncrasies of an ailing old man, had not persisted in refusing to govern, had not allowed the national administration to go by default and ultimately to fall into chaos, he would probably never have been deposed. His hold on the people, even in death, provides ample evidence of this belief.

THE CHACO MUDDLE

The Gran Chaco problem, after having been shifted from the Commission of Neutrals in Washington to the ABCP group of nations (Argentina, Brazil, Chile, Peru) in South America, and thence—following the League's success in adjusting the Leticia dispute—to the Council of the League of Nations in Geneva, has been suddenly switched back to the ABCP powers. On July 26 it was announced that the two governments concerned, Bolivia and Paraguay, had proposed to the League Council that a mandate be conferred upon the South American countries mentioned to intervene in the Chaco question by the appointment of an investigating commission of five persons and that "this be entrusted to the governments of these

four neighboring States in an endeavor to suggest to the belligerents a formula calculated to establish and guarantee between them a lasting and just peace."

The proposal, though submitted by the Paraguayan representative in Geneva, Caballero Bedoya, indicated that the governments of Paraguay and Bolivia were "in accord" in making the proposal. The suggestion for another change in the locale of negotiations came after a League of Nations commission on the Gran Chaco had been appointed on July 19, with a membership consisting of representatives of Spain, Great Britain, France, Italy and Mexico. Previously the United States had declined to appoint a representative. Furthermore, according to reports from Geneva, it came after the approval by both Bolivia and Paraguay of the appointment of the commission, which was to meet in Montevideo on Aug. 27. Two members of the commission were actually on the way when the shift was announced, and the League had insured the lives of the five members of the commission against death and disease.

Conflicting rumors as to the source of the sudden suggestion for a change in the negotiations and the reasons for the change were circulating at the time of writing. The League was variously reported as "stunned" and as being willing to confer the mandate requested. The ABCP nations were reported as in agreement on the conduct of the negotiations and as being hopelessly split, with Brazil ready to play a lone hand in sponsoring efforts for adjustment of the dispute. It was reported that Bolivia considered that three members of the proposed League commission were under Argentine, in other words, pro-Paraguayan, influence, and that the decision to meet in

Montevideo rather than to proceed to the Chaco was believed to have no advantages over a meeting in Geneva. The reported Argentine position that suspension of hostilities must precede negotiations—in which Argentina supports Paraguay—in opposition to the Bolivian stand that definition of the arbitration must be simultaneous with any trace, was another factor. Suspension of hostilities, it was said, would cause the question to revert to a purely diplomatic status and thus eliminate the necessity for a mandate from the League.

Heavy fighting in the Chaco was reported on July 6, with a general offensive by 25,000 Bolivian troops under General Kundt directed at Fort Nanawa, Paraguay's key position. The casualties were numerous, Paraguayan reports placing the Bolivian dead at 1,600 and the wounded at 3,000, while Bolivian reports claimed that more than 1,000 Paraguayans were killed. At the end of four days' fighting Paraguay reported that the Bolivians were routed, with heavy losses. On July 14 it was further reported that Paraguay had broken through the Bolivian lines at Fort Gondra, killing or wounding 3,000 Bolivians and taking 5,000 prisoners. These claims were denied by Bolivia. On July 29 Paraguay made charges to the League of Nations against General Kundt, alleging that he was preparing to use poison gas in the warfare, and characterizing him as a German mercenary determined to continue the fighting in the Chaco and "arrogating to himself supreme powers." It will be recalled that opposition to General Kundt's domination of the government was a factor in the overthrow of the Siles administration in Bolivia in 1930.

A Buenos Aires report on July 15 estimated the total number of dead

from fighting or disease among the Bolivians at 20,000 and those rendered ineffective by wounds or disease at 35,000. The Paraguayan dead were estimated at 8,000 and ill and wounded at 17,000. This is the toll of more than a year of fruitless warfare.

SOUTH AMERICAN DEMOCRACY

July is especially rich in holidays commemorating the movement for independence in South America, for the month includes the Independence Day of Venezuela (July 5), the Proclamation of Independence Day of Argentina (July 20) and the Independence Days of Peru (July 28-29-30). Of even wider significance is the birthday of Simón Bolívar, "the Liberator," which falls on July 24 and to which special interest was attached this year because it marked the sesquicentenary of the birth of Bolívar at Caracas on July 24, 1783. The event was commemorated with special ceremonies throughout the Spanish-American world, while in the United States the day was fittingly observed in Washington, New York City and other centres.

It is only natural for commentators to ask how far the countries in whose liberation Bolívar, San Martín, Sucre and the other heroes of South American independence were the primary instruments have advanced politically in the 150 years since Bolívar's birth and the little more than a century since he died, broken-hearted and disillusioned, at Santa Marta, Colombia, on Dec. 17, 1830. Superficially, it is easy to take a gloomy view of the progress of democratic government in South America—to point to dictatorships, to the bad economic conditions which prevail, and to the revolutions of 1930, 1931 and 1932, which affected even Argentina,

Brazil and Chile, the countries which North American public opinion had come to consider as examples of politically stable and economically advanced republics. From such a point of view, it is not hard to understand the glib and somewhat patronizing clichés which have come to be the commonplaces of any discussion of Latin-American affairs. But, as is pointed out by Samuel Guy Inman, whose recent book *América Revolucionaria* (published in Spanish in Madrid) represents the opinions of an American whose knowledge springs from intimate contact, Latin America is "facing only the same, though more acute, problems which are profoundly

stirring countries like the United States, Great Britain and Germany." The difference is that we, who have had centuries of experiment with democratic institutions, can be pretty sure of effective action through a free ballot. But Latin Americans desiring reform are often confined to the one "means of revolution." It was the "new style dictator" and his chief supporter, the American or European banker, who were, says Mr. Inman, the ultimate cause of the political disturbances of recent years, the immediate cause being the collapse of financially unsound national structures under the stress of the worldwide depression.

British Empire Economic Policies

By J. BARTLET BREBNER
Assistant Professor of History, Columbia University

THE World Economic Conference provided Great Britain and the Dominions with an opportunity to compare notes on the working of the Ottawa agreements and to discuss desirable changes in them. Conditions have altered considerably since the Ottawa Conference, perhaps most notably in the growth of protectionism in the United Kingdom. For example, during the last session of the British Parliament, the spokesmen for agriculture steadily campaigned for quota and tariff protection for British farm products, not only against foreign, but also against Dominion competition. Protests were also voiced both against Dominion manufactures entering Great Britain and against Dominion exclusion of British goods. The government was

urged to take advantage of the presence of the Dominion delegates in London in order to conclude new bargains with them.

By the standards of economic nationalism there was justice in these arguments. Canada, for instance, in the year ending March 31, increased her exports to the United Kingdom by over \$10,000,000, as compared with the previous year; at the same time her imports from Britain decreased by \$20,000,000. In April and June, chiefly because of increased imports of British coal and iron and steel products, Canadian imports from the United Kingdom exceeded those of 1932, but the margin was slight. British textile manufacturers, in particular, have felt that their goods were being excluded.

All these factors promise to enhance the scheduled revision of the Ottawa agreements—in 1934 and following years—but so far as is known, revision was not the subject of formal treaty agreements during July. Temporarily the question of Dominion exports to the United Kingdom has been met by informal voluntary agreements on import quotas; meanwhile British exporters are preparing arguments for the imminent sessions of the various Dominion tariff commissions.

The currency relations of Britain and the Dominions have naturally received much attention. The central banks of Australia, New Zealand and South Africa have for months found it satisfactory to maintain precise relationships between their currencies and sterling because of sterling's stability in terms of gold and its facilitating their use of the London money market. But Canada's position is different, because of her relations with the United States in regard to most of her external trade and financial obligations. The Canadian dollar, therefore, has been a sort of football in the currency depreciation struggle between the United Kingdom and the United States, and during the first seven months of 1933 was clearly more sensitive to changes in the American dollar than in the British pound. This made a truly united British Commonwealth currency policy impossible.

Two things have somewhat altered the situation. When the United States ended its free gold market in March, Canada began to sell her monthly gold production "forward" in London, buying American dollars with the proceeds or meeting sterling obligations, thereby again weakening the ties between Canada and the London money market. Secondly, London was able to demonstrate that for eighteen months

the pound sterling had been stable in terms of gold, whereas the American dollar had recently become singularly unstable as well as being at a premium over Canadian funds. For these reasons Canadian loans were floated in London instead of in New York. On July 30, for the first time in twenty years, Canada borrowed in London £15,000,000, maturing 1953-58, at 4 per cent. Canada's probable purchase of American dollars with part of the sterling loan would assist Great Britain in raising the rate on the American dollar in terms of sterling.

This loan was regarded as in keeping with the joint declaration on financial and economic policy made by the United Kingdom and the Dominions on July 27. The declaration was hailed as creating a sterling unit embracing the whole British Empire and the other countries now linked to sterling or willing to be so, but it is doubtful if Canada could be part of such a currency bloc. Her immense trade with the United States and money obligations are probably an insuperable barrier to immediate adjustment of the Canadian dollar to sterling. Even if North American economic relations could be altered, it would require many years to re-orient Canada's financial and commercial position. On the other hand, recourse to the London money market has greatly strengthened Canada in the commercial and financial manoeuvre which, since the Ottawa agreement has been carried on by Great Britain, the United States and Canada.

The declaration of July 27 was characteristic of the British Commonwealth of Nations because of its frank admission of existing differences, but it surprised those who thought that no agreement could come out of the World Economic Conference. It reaffirmed the joint policy of price-rais-

ing without monetary manipulation, noted the success attained already, and affirmed its faith in the ultimate necessity of a satisfactory international gold standard. Meanwhile the British and Dominion governments have agreed to direct their monetary policies toward maintaining stability of exchange rates within the empire and with other countries which might choose to join the bloc. As to proposals for economic revival by means of capital outlay on public works, the declaration said that "this is a matter which must be dealt with by each government in the light of its own experience and its own conditions." In general, the declaration was accepted as a move against inflation, a demonstration of continued imperial solidarity—particularly in relation to Canada—a great moral boost for sterling and a continuation of British efforts to enlarge the sterling trading bloc.

BRITISH DOMESTIC AFFAIRS

Those who had hoped for an improvement in British foreign trade have continued to be disappointed. The figures for June revealed an almost static condition, while for the first half year imports declined by 11.2 per cent and exports by 7.3 per cent. The whole subject was argued at length in Parliament on July 4 with satisfaction to no one except for what consolation might be found in the fact that the decline in British trade had been only 9 per cent, while that of the United States had been 27 per cent, of Germany 25 per cent and of France 14 per cent. The trade war with Japan received a good deal of excited attention. Special sessions of the East African Legislatures were held at the end of June to give increased powers to the Customs Departments, and there were many demands for action

in India, Burma, Ceylon and Malaya. The government indicated that satisfactory progress was being made for an Anglo-Japanese conference on the questions at issue.

On the other hand, domestic improvement has been indicated by the continued swift decline in unemployment. The number of insured unemployed fell by 144,771 during June (464,957 since January) to a total of 2,438,108. The number of employed rose by 135,000 (508,000 since January) to 9,793,000, the best figure since June, 1930. The improvement was distributed over practically all industries, even coal, and was most notable in iron, steel, ship-building, construction and woolen textiles.

During the month sterling-dollar quotations ranged from about \$4.40 to \$4.86. Gold and foreign funds continued to pour into London until the last week of July, when speculators began to reflect a belief that the pound might be divorced from its recent stable relation to gold in favor of some degree of inflation. Neville Chamberlain on July 10 explicitly denied that the exchange equalization fund was being used to depreciate sterling. He and other official spokesmen repeatedly affirmed that the pound was not tied to any other currency. On July 26 he resolutely declared against inflation. Meanwhile, others in England, as for instance R. H. Brand, suggested that it was hardly practicable to plan for price-raising and at the same time to keep the pound stable at a level 30 per cent below gold parity.

The fluctuations of the American dollar and the Wall Street collapse seemed to corroborate hostile British criticism of President Roosevelt's program. Uncertainty was increased by the fact that about £20,000,000 of gold

was being held in England each month, only about a tenth of which was being added to the Bank of England's reserves (£191,000,000 on July 27). It was believed that most of the £20,000,000 represented private deposits, although a substantial proportion must be held by the exchange equalization fund. Moreover, by what was described as an "ingenious but immoral" device, the British Government took advantage of repudiation of the gold clause in American bonds to make payments in depreciated dollars on its 1917 war bonds in the United States, at the same time that it offered to convert them to sterling bonds at a lower rate of interest, with the pound figured at about a dollar below its current rate. This scheme gave American holders a large paper profit on conversion, allowed others to escape fluctuations in the dollar, and by encouraging British purchase of the bonds helped to depress sterling in the face of the dollar.

Mr. MacDonald revealed on July 17 that the long-cherished aim of converting British coal to gasoline was at last within reach. He pledged protection for gasoline either of at least four pence (8 cents) a gallon for ten years from April 1, 1934, or of the present eight pence a gallon for five years, in order to enable Imperial Chemical Industries to erect a £2,500,000 plant to manufacture hydrogenated gasoline from coal at a cost of about four pence a gallon higher than the present price of foreign gasoline. While lower costs—and prices—were hoped for, the immediate venture was held to be justified by the very considerable amount of employment in the factories and the mines which it would provide, with the added prospect that improved processes might raise the amounts of gasoline and coal above

the contemplated 30,000,000 gallons from 350,000 tons of coal.

IRISH UNREST

While communism seems to be on the wane in Ireland, the government has been increasingly embarrassed by the growth of the new National Guard in opposition to the Irish Republican Army. President de Valera's position is now one in which he must find a policy which will curb both his impatient friends, the Republicans, and the Fascist supporters of the opposition, the Guard, before they clash. The National Guard held their first convention on July 10, when they abandoned the name Army Comrades Association, chose Eoin O'Duffy, the lately dismissed chief of the State police, as their leader, and announced their intention of parading in blue shirts and black berets on Aug. 13 in honor of Griffiths, Collins and O'Higgins. This defiance of de Valera's ban on parades in uniform invited a test of strength.

Informal negotiations to end the Anglo-Irish tariff war took place during the World Economic Conference, but the Irish Free State did not subscribe to the joint declaration of July 27. Remarks made on July 26 by Sean Lemass to the Irish Senate and by J. H. Thomas in London indicated that some progress toward understanding had been made.

President de Valera pushed all his measures through the Dail by July 15, including his revolutionary bill for the expropriation and subdivision of large estates, but the Senate was still maintaining its independent attitude toward the proposed legislation at the end of the month.

CANADIAN AFFAIRS

Canada has continued to share the joys and discomforts of the North

American economic readjustment. While fluctuations in the prices of commodities and stocks have been less violent than in the United States and the general trend has been upward, many Canadian speculators for the rise have been hard hit by sudden changes. The best sign of returning health is the increase in employment and the decrease in public relief. About 1,500,000 persons were on relief on June 1, with an estimated reduction of 500,000 by Aug. 1.

Extensive crop damage led in July to extraordinary advances in Canadian wheat prices although by the beginning of August these had fallen to about 80 cents for near futures. The newsprint industry showed an increase of 6 per cent in production in June and shipments were in advance of production, partly because of improved demand in the United States, but also because of a 50 per cent increase over 1932 in the British market. Foreign trade generally continued the expansion noted in May with increases in practically all categories. Exports and imports as compared with June, 1932, were \$45,968,000 (\$40,852,000) and \$33,619,000 (\$40,743,000).

Canada has no weapon powerful enough to fight with in the Anglo-American currency struggle which has so seriously affected her dollar. The pound, for instance, soared past parity in Montreal to remain for several days above \$5, while the premium on the American dollar, which had been as high as 20 per cent, dropped to as low as 5 per cent. In the long run, Canada profited greatly by the depreciation of the American dollar, because her chief indebtedness is in the United States, and when her gold brought \$31.48 an ounce in London, as it did on July 18, some of the dis-

advantages of the real depreciation of Canadian currency disappeared.

The new Canadian Socialist party—the Cooperative Commonwealth Federation—held its convention in Regina on July 17-18. Its existence has upset the party alignment in Canada, for it is likely to hold the balance of power in the next Parliament. The Conservatives have been trying to use it to destroy Canadian Liberalism, but Mackenzie King, leader of the Liberal party, responded by a speaking tour in the Canadian West during July. The new party's manifesto, which was extremely wordy, gathered in most of the usual socialistic proposals and added some obvious bids for the support of Canadian farmers. Socialization was to begin by taking control of banking and finance and then proceed progressively to public utilities and key industries. A tentative note has marked the whole movement since its origin last year when it made a vigorous start; much more clear and direct proposals seem desirable if it is to become powerful among the electorate.

A London dispatch of July 22 revealed the nature of the report of Lord Amulree's commission on Newfoundland. Since Canada is unwilling to take further responsibility in aiding Newfoundland, the island must give up its Dominion status and submit to rule by administrative order while a nominated, non-political commission governs the country and completely reorganizes its finances.

AUSTRALIAN SETTLEMENT

The Dean of Canterbury early in July suggested that Far Eastern tension might be relieved if an unsettled portion of Australia were allotted to Japan for colonization. Australia's inevitable violent protest was on this occasion distinguished from similar

reactions in the past by proposals for development by a British chartered company of a large area in the drainage area of South Australia and of two sections of the Northern Territory. Although in both regions State action has never gone very far, the proposal to permit the creation of large corporate private interests revived the classic Australian clash between supporters of private and State enterprise. The South Australian project, after expensive drainage, would open up arable land, but the Northern would be pastoral and involve the provision of fast refrigerator ships to handle a chilled meat industry.

SOUTH AFRICA'S GOLD TAX

The South African Coalition Government has succeeded, where neither party would have dared, in defeating the powerful Chamber of Mines by enacting a tax on the gold premium. The government's argument that it was merely taking a share of fortuitous excess profits which arose from its own action in going off the gold standard was courageously and intelligently presented by Mr. Havenga in London and his deputy, Mr. Duncan, in Cape Town. The new revenue promises to strengthen the budget position and to permit compensation and conservation projects which hitherto had seemed impossible.

GANDHI'S LATEST MOVE

The sittings of the Joint Select Committee on Indian Constitutional Reform continued into July. Naturally, most of the evidence submitted by groups and individuals was critical of the White Paper Constitution for India. While modification is to be expected, friends of India hope that they

will not seriously impair the amount of independence already promised.

In spite of Stanley Baldwin's defeat of the die-hard Conservatives in the matter of Indian reform, there has been real uneasiness in India lest the lack of unity among Indians should result in loss of the potential constitutional gains. The Congress party, at a conference held at Poona in mid-July, requested the advice of members of other parties, with the result that the majority favored the ending of mass civil disobedience as a preliminary to release of the political prisoners and conversations with the government. For unexplained reasons Gandhi reasserted dictatorship of the party to secure a resolution that mass disobedience should end on Aug. 1 only if he and the Viceroy reached "an honorable agreement." Then Gandhi, although he knew that the Viceroy would not treat with him while civil disobedience was in force, asked Lord Willingdon for an interview which was refused.

Gandhi's next step was perplexing. He said that Mr. Aney, acting president of the Congress party, would immediately announce suspension of mass civil disobedience in favor of Gandhi's new mission of symbolical, individual civil disobedience. Mr. Aney took no such action. Gandhi thereupon closed his school and prepared to set out on a sort of pilgrimage with a few followers to perform individual acts of disobedience. He was re-arrested on Aug 1. Meanwhile, the Congress party was puzzled and divided, and it was reported that a new party would emerge to unite all groups that are anxious to reap the fullest advantage of the approaching constitutional reforms.

State Aid to French Industry

By GILBERT CHINARD

Professor of French and Comparative Literature, Johns Hopkins University

THE last fortnight of the French Parliamentary session, which ended on July 8, was crowded with important legislation. During the vital but prolonged struggle over the 1933 budget, which was not adopted until June 1, the consideration of other urgent matters had to be postponed, and the accumulation became so great that Premier Daladier felt obliged to urge upon both chambers the necessity for all possible dispatch in catching up before the recess. At the same time he expressed his intention to reassemble Parliament early in October to consider the budget for 1934 in the hope that it might be adopted before the end of this year. Among the important laws passed before the recess were measures for the protection of the French wheat and wine markets, the reorganization of the French Line, a limited supervision of the railways and many others of less importance. The government's intention to ask for full powers to deal with the tariff during the Summer recess was abandoned at the last minute and did not come up for discussion.

One of the most important of the new laws affects the wheat market and was passed by the Chamber of Deputies on June 24 by a vote of 405 to 170 and approved by the Senate without serious modification on June 28. It provided that for the year beginning on July 15, 1933, the price of wheat should be fixed by law at 115 francs per quintal (220 pounds) and be increased by 1½ francs at the be-

ginning of each month. This arbitrary figure was in no case to include transportation. It forbade any purchaser to pay less than the minimum price, and permitted the abrogation of any contract made before Oct. 15 on the demand of any of the parties to the contract. At the beginning of the Winter and in the Spring wheat growers will be required to declare the acreage they have sown in wheat and any stock over ten quintals they may own. The importation of wheat was suspended by the law for a period of two months. In each department the Prefect was authorized to fix the price of flour and bread. At the same time the government was authorized to borrow 400,000,000 francs to put the law into effect. Though the plan did not meet with any serious opposition in either the Chamber or the Senate, the press was far less favorable and called attention to the unsatisfactory results of similar measures in America. Critics have also contended that the farmers will find various ways to evade the law and that in case of a surplus the government may be forced to buy and store considerable stocks of grain.

The regulation of the wine market proved much more difficult and no really satisfactory solution was reached. The main difficulties centred around the question of the Algerian wines. It was by no means a new problem. For the last twenty years the wine makers of Southern France have agitated to restrict the importa-

tion of wines from Algeria. Their contention is that while the Algerian departments are theoretically an integral part of France, they are really independent, and that as the Algerian wine makers are not subject to the same legislation in matters of labor as the French growers, they should not be allowed a free market in France. The domestic French wine interests received support from the growers of Spring produce, who also suffer from Algerian competition. The question of principle thus raised occupied most of the debate; it was no less than the question of the status of Algeria. The government maintained that any restriction or special duty placed on Algerian products would be in fact equivalent to an internal customs. In the end nothing was done beyond repatching the law already in existence, although it has proved unsatisfactory in the past. By its extension a limit was set on new plantations for the next five years and a minimum alcoholic strength for wines to be placed on the French market was established. The Socialist group in the Chamber proposed the establishment of a governmental "office" to supervise the wine market, with the proviso that the Algerian industry should accept the same labor legislation that applies in France. This was opposed both by the special committee and the government and was defeated by 409 votes to 167.

Toward the end of the session a plan for the reorganization of the French railroads was presented by M. Paganon, Minister for Public Works. The main features of this bill were the merging of the Orléans and Midi railroads; the re-employment of railroad employees dismissed in 1920 following labor troubles—an obvious concession to the Socialists; and finally, the abandonment by the gov-

ernment of part of the tax recently included in the price of railroad tickets. This tax was lowered from 32 to 12 per cent, but the price of tickets to the public remains the same as before. M. Paganon insisted, however, on the retention of the "common fund," in which the different companies are supposed to pool their profits for distribution among the roads that show a deficit. Opponents of the "common fund" arrangement charge that the prosperous roads have made every effort to avoid showing considerable profits, while weak lines have made little effort to develop their traffic. At present the "common fund" shows a deficit which, according to William Bertrand, reporter on the bill, reached 4,000,000,000 francs in 1932. The government's bill, as finally adopted by Parliament, also gives the government the right to be represented by two members on the board of directors of each railroad, provides for a special commission to supervise the purchase of railway equipment and contemplates the adoption of automotive cars on non-paying lines and even the substitution of a special service by automobiles and buses in such cases.

The reorganization of the French Line (Compagnie Générale Transatlantique) has been under discussion for some time and the Socialists have demanded that the government take over the line. This the government was not willing to do, but on July 7 it secured the adoption of a bill increasing government supervision and providing that after the French Line has made certain economies the government will guarantee a loan of 150,000,000 francs and will advance a yearly subvention of the same amount. The measure was adopted by 280 votes to 11 in the Chamber and by a show of hands in the Senate.

On June 29 the Senate approved a

law already accepted by the Chamber suspending until July 1, 1934, the operation of the law of April 1, 1926, by which pre-war rents were to be raised a certain amount each year. The increase specified for this year was 15 per cent. The measure was advocated as a relief to the unemployed, though it was not limited to them; the law does not apply, however, to commercial rents.

Another measure considered to be a bid for Socialist support was an amnesty law affecting infractions of certain laws and regulations committed before Jan. 1, 1933. The bill had been put forward originally by the Herriot Ministry and was extended by the Chamber so as to become almost a general amnesty. It was limited by the Senate, however, to convictions for political crimes, but the Minister of Justice was given considerable discretion in applying it in other cases.

On June 29 M. Daladier gave an official explanation of recent incidents in Morocco which had been represented as a serious revolt. He admitted that an expedition sent against the rebels of Djebel Sako had met with a serious reverse in which 79 men, mostly officers and non-commissioned officers, had been killed and 107 wounded, but he declared that the disaster and the magnitude of the uprising had been exaggerated. M. Daladier went on to reaffirm the government's resolution to maintain a peaceful policy in Morocco while recognizing the necessity of providing adequate protection to peaceful tribes against raiders. The government's statement was approved without discussion.

After the adjournment of the Parliament on July 8, the political stage was taken by the general meeting of the Socialist party which was held in

Paris on July 14-18. The main question discussed was the attitude shown by a number of Socialist Deputies and Senators in supporting the government, particularly by voting for the budget. The left wing of the party contended that in doing so they had clearly violated the instructions given them at the Avignon meeting in May. The problem before the meeting was to take some action against the rebels without creating a schism in the party. M. Marquet, a Deputy from Bordeaux, greatly disturbed the meeting and particularly Léon Blum when he declared that the time had come for the party to repudiate the doctrines of internationalism, to become an integral part of the nation and frankly to participate in the government of the country either by associating with other parties or by itself taking the lead. This was considered as an effort to organize a National Socialist party and as expressing dangerous Fascist tendencies.

It was finally decided to reprimand those members of Parliament who had voted for the budget, but without excluding them from the party. The resolution added, however, that in case they should again neglect their instructions, the General Council of the party would assemble at once to take such measures against them as might be deemed necessary. Léon Blum was reappointed chief editor of *Le Populaire*, the official paper of the party. It was considered that the action of the delegates placed M. Blum in an embarrassing situation since he would either have to cooperate with the government or oppose it. For the moment, however, the Socialist leader declared that the policy of the group would be determined by the attitude of the government at Geneva on the question of disarmament and by the nature of the government's bill

for financial re-establishment. This much-discussed scheme remains mysterious. M. Daladier refuses to give precise information about it, asserting that he will not divulge the government's plan until Parliament reconvenes.

In fact, the only firm position taken by the Cabinet is the determination to maintain the gold standard at all costs. The stand taken at London by the French delegates has done much to strengthen the prestige of the Cabinet. The press is unanimous in pointing out that France knows only too well the dangers of inflation and has paid too dearly for the stabilization of the franc to embark again on a policy of inflation. Finance Minister Lamouroux, while maintaining that the franc is in no danger, does not hide the fact that heroic measures will have to be taken to balance the budget, and that the hardest part of that task remains to be faced. Tax returns for the first five months of the year were 627,000,000 francs below the budgetary estimates; for May, however, the returns showed an increase of 189,537,000 francs over the same period last year.

Unemployment figures are decidedly more encouraging than last month. The peak of unemployment was reached in March with 331,816; on July 1 the number had decreased to 252,275, a figure much smaller than that of the same date in 1932. The same improvement appears in the number of the partly employed, which was only 37 per cent as against 50 per cent last March in the plants regularly inspected by the Ministry of Labor.

The external situation has also improved. A conference between M. Daladier and Chancellor Hitler has

been reported several times and has never been positively denied. Nothing has been decided yet about arranging an interview between the French Premier and Mussolini, but there is an undeniable rapprochement between France and Italy and congratulations worded in the most cordial manner were sent by the Duce to Premier Daladier on the occasion of the signature of the Four-Power Pact.

THE BELGIAN BUDGET

The Belgian Parliament convened again on July 18 after a recess begun in May after voting special powers to the Cabinet. The main object of the session was to vote new credits to the government and to discuss the new budget. Considerable opposition to recent decrees of the Cabinet was expected and a petition signed by 1,426,000 members of the Labor party was presented by Deputy Vandervelde to the President of the Chamber as a protest against the Cabinet's policy. The position of the Cabinet is clearly stronger, however, than it was a few weeks ago and opposition has lessened on the part of the Liberal left and the Catholic right. In order to obtain this support the government had to modify several of the decrees it had already promulgated, particularly those dealing with the dole, pensions and the salaries of women employes. In spite of these measures M. de Broqueville maintains that the budget's equilibrium has been preserved and that unless the economic situation becomes worse there is real hope of consolidating the results already obtained. Assured of a Parliamentary majority the Cabinet expects a vote of confidence, and all projects to form another Cabinet with the possible aid of the Socialists have been abandoned.

Is the Nazi Revolution Ended?

By SIDNEY B. FAY

Professor of History, Harvard University and Radcliffe College

Is Germany's National Socialist revolution completed? So far as political parties go, apparently, Yes. It was completed early in July by the "voluntary" dissolution of the Roman Catholic Centre party (and its South German affiliate, the Bavarian People's party), the one great political party which had held out longest against "coordination" with the Nazis. But even its position had become very precarious, as indicated in the August number of *CURRENT HISTORY* (p. 613). Political Catholicism, which once forced defeat upon Bismarck in the *Kulturkampf* and which for three quarters of a century has played a powerful parliamentary rôle, was compelled to bend before the "Totalitarian State." Former Centrists were invited to join the Nazis as "guest members."

Dr. Bruening, the Centrist leader, was reported to have refused to join the Nazis and to have insisted on his right to keep his Reichstag seat. With this exception, it was apparently agreed that those deputies of the dissolved parties who met with Nazi approval should keep their Reichstag seats. Those not acceptable were to be replaced by members of the same parties who accept the invitation to affiliate with the Nazis. With the Reichstag set harmlessly aside, and with the clear Nazi majority in it whenever it may meet, this question of Catholic representation has relatively little importance.

The relations between German Catholics and the Nazi State are hence-

forth to be governed by the Concordat which was signed at Rome on July 20 by Vice Chancellor von Papen and Cardinal Pacelli, the Papal Secretary of State. It follows somewhat the lines of former concordats of the Vatican with Prussia, Bavaria and Baden. In purely ecclesiastical matters the Catholics retain their freedom in the matter of organization, contact with Rome, schools and various other strictly religious activities; but they are to take no part as an organized body in politics in opposition to the Nazi State. In announcing the Concordat von Papen declared: "The political ideas now dominant in Italy and Germany would have the Church and State, like all vital forces, work together. It was therefore natural that, once the National Socialist Revolution was victorious in Germany, an unprejudiced and sincere understanding with the churches should be attempted forthwith. The Concordat with the Vatican may be regarded as a model for regulating the relations between the Reich and the Protestant churches, inasmuch as the clear delimitation in the Concordat of the respective spheres of influence of the State and the church must naturally also apply to the evangelical denominations in the Reich."

The dissolution of the Nationalist party, which took place a few days before that of the Centrists, was accompanied by the withdrawal of its leader, Dr. Hugenberg, from the Nationalist-Nazi Coalition Cabinet. This

led to several changes in the Cabinet, which were announced on June 29. Richard Darré, radical Nazi farm leader and Hugenberg's chief opponent in agrarian questions, succeeded him as Minister of Agriculture. Dr. Kurt Schmitt, widely recognized as an insurance expert and as a man without pronounced political affiliations, became Minister of Economics. And Gottfried Feder, one of the Nazis' leading economic prophets, was named Under Secretary of the Ministry. Feder was the author of the twenty-five-point party program with which the National Socialist party began to make a bid for power a decade ago. In 1924 he became a member of the Reichstag, and since 1927 he has been the official spokesman of the Nazi party on all economic matters, though at present he is doubtless held somewhat in check by the influence of the more conservative Dr. Schacht, president of the Reichsbank. Feder's most insistent demand in earlier days was for "the breaking of the interest slavery"—that is, the abolition of interest on capital.

Richard Darré had espoused the interests of the small peasants, demanding the division of the big landed estates into small peasant homesteads, whereas Hugenberg had stood for the big estates. Hugenberg compromised in his agrarian debt relief program on an interest rate which yielded the creditors 5½ per cent, of which the government paid 1 per cent, whereas Darré had demanded a flat 2 per cent rate on all agrarian mortgages. Darré's principal accomplishment was the creation of the National Socialist Peasant Front, which finally brought the larger part of the agrarian population into the Nazi ranks. In April he was elected leader of the German peasant corporative group or "estate." He

has issued various publications on racial questions and agriculture, among which are *The Peasantry as the Living Spring of the Nordic Race* and *A New Aristocracy, but of the Blood and Soil*.

Is the Nazi revolution ended as regards the German Protestants? Again apparently, Yes. In the conflict between Dr. Ludwig Mueller's Nazi German Christians and the evangelical followers of Dr. von Bodelschwingh, Herr Jaeger had been appointed as commissioner for the Protestant churches in Prussia and was proceeding to the dismissal of non-Nazi pastors and officials. This drew from President von Hindenburg a letter of sympathy for the evangelicals, expressing hope that peace should be restored within the church. As a result Herr Jaeger was dismissed, ousted church officials were restored and an agreement was reached for drawing up a new church constitution and the holding of church elections on July 23.

The new constitution is to the German Protestants what the Concordat just concluded is to the German Catholics. It provides for an elected Reich Bishop, who will be a Lutheran, because the Lutherans form the largest of the Protestant denominations. He will be assisted by a "spiritual ministry," or cabinet, composed of three representatives, one for each of the three chief Protestant groups. Each of these representatives is to have jurisdiction for his own denomination on matters affecting articles of faith. The Nazi demand that the Reich Bishop be appointed from above by the Chancellor and that he appoint all officials under him was rejected, it being specified that the National Synod should choose the Bishop.

It is intended that the new church shall be neither a State church nor

a Reich church, but an independent and self-governing, although "coordinated," body; it is not to be confined to the borders of the Reich, but, as the *Kreuzzeitung* puts it, is to be "the Evangelical Church of the German Nation, which will maintain close connections with German Protestants in the entire world. The German Evangelical Churches of Transylvania, Yugoslavia, Bohemia and the Baltic Provinces and the lands across the sea will be able to conclude working agreements with this real German Evangelical Church without their governments being able to accuse them of maintaining relations with a foreign State." A Reich Bishop would thus become a sort of pope of all the German Protestants everywhere, but a pope who would be under the control of Chancellor Hitler in case the church elections should place Nazis in control of the organization. This development is in line with Hitler's claim to be the protector of Germans everywhere. The Protestants of Danzig promptly reorganized their church for coordination with the new German Evangelical Church, but the League of Nations Governing Commission in the Saar declared it inapplicable there, because the people of the Saar must be religiously and politically free until 1935, when a plebiscite is to determine whether the Saar Basin will be attached to France or Germany.

The church elections of July 23 were preceded by somewhat the same kind of Nazi pressure, though milder, as preceded the Reichstag elections on March 5. The *Taegliche Rundschau*, the chief defender of Dr. von Bodelschwingh's group, was suppressed for three months. His Evangelical Christians were forbidden a few days before the election to use this designation and had to take the cumber-

some name, "Gospel and the Church—the Church Must Remain Free." They were not allowed freely to state their case in the newspapers, whereas the Nazi ticket of German Christians was given every advantage. In a great many districts the Nazi steamroller forced the adoption of a joint ticket in which Nazi candidates had 70 or 80 per cent of the places, and in which consequently there was really no point in holding an election at all and in which in fact there was no voting. On the eve of the election Hitler himself made an appeal to the voters to support the Nazi ticket: "In the interest of Germany's renascence, which I regard as indissolubly bound up with the National Socialist movement, I naturally desire that the church elections shall result in support of our new national policy, that within the churches those forces shall gain a hearing that are ready to stake themselves for the nation's freedom."

The result of the election of July 23 was therefore a foregone conclusion. The Nazi German Christians elected about three-quarters of the delegates to the National Synod. They will therefore control the new church and will presumably elect their leader, Dr. Ludwig Mueller, as Reich Bishop.

Is the Nazi revolution ended as far as the Jews are concerned? Apparently, No. Hopes of those who thought that the Nazi anti-Semitic campaign would be moderated, once the National Socialists were secure in political power, seem doomed by the increasing restrictions against Jews and by arrests of Jews by members, perhaps unauthorized, of the Nazi party. It was announced on June 27 that Jews would be excluded from the "German Labor Front," which has been organized into a corporative structure to include all the wage-

earners in factories, offices and stores. Jewish wage-earners will probably be gathered together in a sub-group in an all-Jewish occupational corporation, which, however, will have little or no political or economic power to resist any measures which the ruling party or employers see fit to impose. Jewish physicians are no longer to be allowed to examine people for the sick and insurance funds, public or private. Dr. Goebbels announced on June 30 a new law declaring Jews excluded from any part in the production of German films. Two days later a law barred non-Aryans from holding any kind of office in the Reich, the States, municipalities or municipal associations. Two of Germany's best known museum directors and art historians, Dr. Max Friedlander of the Emperor Frederick Museum and Dr. Ludwig Justi of the National Gallery, were dismissed by Dr. Bernhard Rust, Prussian Commissioner of Education. Eighty Jewish physicians on July 8 were sent to a concentration camp following a raid on "the consulting office of Jewish doctors." Next day Herr Zander, chairman of the new Greater Germany Chess Association, announced that none but Aryans and ardent Nazis would be allowed to join the new chess association which takes the place of the former German Chess League, which was dissolved.

Press dispatches of July 20 reported that between 200 and 300 Jewish merchants of Nuremberg had been arrested and marched brutally through the streets to barracks, where they were confined. Speaking at Nordeney, one of Germany's most popular North Sea Summer resorts on July 29, Dr. Bernhard Rust declared: "I must demand that Nordeney make its choice between Judaism and the banner of Adolf Hitler. Shall Jews dominate

Nordeney, or shall Germans once more get to feel at home on this most beautiful of the North Sea islands?" Thereupon the residents of Nordeney passed a resolution expressing solidarity with the speaker and setting forth that Jewish visitors would not be welcome thereafter.

By a curious irony the German Society for Combating Anti-Semitism, after languishing forty-two years, voted on July 15 to disband. Its charter provided for disbandment when anti-Semitism should cease to be a political menace. Recognizing the futility of carrying on its battle under present conditions, it decided to quit.

The movement of sympathy and pressure from abroad on behalf of the German Jews has continued. By the end of July \$1,000,000, half the amount aimed at, had been pledged in the campaign of the American Jewish Joint Distribution for the relief of German Jews; two-fifths of it was raised in New York City. Fritz Kreisler continued to refuse to appear for recitals in Germany "until it is established beyond peradventure of doubt that all my colleagues in the musical world, irrespective of nationality, race or creed, are not only tolerated but actually welcomed." In England 20,000 Jews from the East End of London marched to Hyde Park in a parade of protest against the treatment of their brethren in Germany. They carried banners urging a boycott of German-made goods. The Board of Jewish deputies, however, representing 300,000 Jews in Great Britain, voted three days later, on July 23, by 110 to 27, not to proclaim an official boycott of German goods and services at present, though encouraging unofficial boycotting of Nazi Germany. In the House of Commons a number of speakers castigated Nazi anti-Semitism, and a bill was introduced to facilitate Professor

Einstein's becoming a British citizen, while the distinguished scientist listened with interest in the gallery. The National Joint Council of the labor movement, representing the Trades Union Congress, the Labor party and the Parliamentary Labor party, issued a manifesto on July 19 demanding a boycott to bring home to the German Government "the human protest against their betrayal and denial of the principles of civilized behavior."

Representatives of the Jews of some thirty-five nations met at Amsterdam on July 20 and formed a permanent organization to be called the World Jewish Economic Federation. Samuel Untermyer of New York was elected president. It passed resolutions that the League of Nations be petitioned to appoint and send into Germany a commission to report on the persecution of Jews; that proceedings be instituted before the League to enforce the labor provisions of the Versailles Treaty, flagrantly violated by the expulsion of Jews from German labor unions; that efforts be made through the League to secure Nansen passports for Jews to leave Germany, and that the League put into operation the relief clauses of the Versailles Treaty in favor of German Jews still held in Germany, as well as those who have taken flight and are being supported at the expense of neighboring countries. It is estimated that between 40,000 and 60,000 have fled from Germany.

Hitler's own view is that the Nazi revolution is ended and that there is to be no second revolution of undisciplined and extreme fanatics within his own party. In a three-hour speech at Bad Reichenhall on July 1 he told his lieutenants: "The concrete aim of our revolution is this: Order within as the first condition for the develop-

ment of power toward the outside. I will crush brutally and ruthlessly every attempt made by reactionary or other circles to overthrow the present order. I will turn equally ruthlessly against the so-called second revolution because that can have only chaotic consequences." In other speeches and orders during the following ten days he indicated that Nazi interference with business must cease. He denounced the petty espionage of Nazi cells in factories and business houses, such as threw the Mosse printing establishment into bankruptcy: "I cannot bring myself to believe that this despicable practice is always dictated by the desire to bring guilty persons before the bar of justice. Too often selfishness and petty personal spite are the motives." No doubt he was correct in this view.

Accordingly, recognizing that Germany's crying need is now economic reconstruction, he ordered that Nazi commissars be withdrawn from interference with business. Apparently the movement for forming the "Corporative State" has been temporarily shelved. "We must not depose a business man," the Chancellor declared, "if he is efficient, just because he is not yet a National Socialist, especially if the National Socialist to be put in his place knows nothing about business. Ability alone must decide in business." In accordance with this view Dr. Hans Kerrl, Prussian Minister of Justice, issued an order that persons who act contrary to government decrees and interfere with business will be severely dealt with before special courts that may impose high fines, long prison sentences, the confiscation of possessions and even the death penalty. Whoever usurps police authority and makes arrests will be held for kidnapping, and whoever

without proper authority makes himself a commissar and tries to deprive business directors of their freedom will be guilty of usurpation of office. The offenses will be regarded as all the more serious if committed in a Nazi uniform. These measures of relief for business were much needed, and were no doubt issued with sincere intent, but they may foreshadow a rift between the more radical and conservative elements within the Nazi party.

There is still fear, or there is alleged to be fear, among the Nazis of danger from communism. Consequently a nation-wide search, probably unique for its vast extent, was carried out on July 25. Promptly at noon every person found in a railroad train or in an automobile anywhere in Germany was subjected to search both of person and belongings. It was carried out by the entire police force, by auxiliary police and by a large part of the Nazi storm troops. The results seem to have been somewhat disappointing, but at any rate it gave a striking demonstration of the speed and efficiency with which the Nazis can mobilize the police for any specific purpose. Four days later raids upon suspected Communists in Berlin and other cities netted the arrest of about 250 persons. Since the Communists have been suppressed as a party they are suspected of trying to filter into the Nazi military and other organizations to carry on propaganda and subversive activities. It is estimated that about 35,000 persons are now being detained in German concentration camps.

A newspaper article fiercely attacking the Hitler régime, issued from Carlsbad on June 27 by Philip Scheidemann, first German Chancellor and one of the most prominent former So-

cial Democratic leaders, caused the Nazi press to pour out the vials of its wrath against this German in exile and against all Germans abroad who attacked the present government. The Hitler Cabinet retaliated against Scheidemann by announcing the arrest of five of his relatives still in Germany. It also issued a decree on July 14 providing for the confiscation of all property of individuals or organizations adjudged hostile to the State, and the seizure of property and withdrawal of citizenship of all critics of the Nazi régime living abroad who refuse to return to Germany.

GERMAN ECONOMIC CONDITIONS

The German census just concluded places the population of the Reich at 65,300,000, which does not include 830,000 inhabitants in the Saar territory. This total is 1,700,000 less than Germany's pre-war population, but is an increase of 2,700,000 since 1925. Males number 31,700,000, and females 33,600,000.

In the budget estimates for the Reich for 1933-34 income and expenditures were balanced at 5,900,000,000 marks. This looks like a very economical showing as compared with last year's estimated expenditures of 8,200,000,000 marks, and its actual expenditures of 7,900,000,000 marks and its deficit of 600,000,000. But the reduction is largely due to putting the budget on a "net basis" by excluding from the budget estimates the slice of the Reich taxes which is handed over to the States and municipalities (about 1,600,000,000 marks). Also the amount set aside for debt reduction was reduced from 420,000,000 to 100,000,000 marks.

By rigid control over foreign exchange and by his partial moratorium on foreign debt payments Dr. Schacht built up the gold holdings of the

Reichsbank from 188,700,000 marks on June 30 (the lowest point for the year) to 228,300,000 on July 25. This is equivalent to an increase from 7.1 to 9.6 per cent in the ratio of the bank's gold and exchange reserve to outstanding banknote circulation.

Figures for domestic industrial production and business for June and July show a considerable increase (possibly about 10 per cent) as compared both with the early months of 1933 and with the corresponding months of 1932. This may be partly explained by seasonal pick-up, by some increase in the price level and by some lessening of the general world depression. German unemployment was reduced from more than 6,000,000 in January to 4,829,000 in mid-July.

Figures for exports and imports are less cheerful. Exports dropped from 421,800,000 marks in May to 384,500,000 in June, a decrease of 8.8 per cent. Imports increased from 333,200,000 to 355,800,000, an increase of 7 per cent. This means that the surplus of exports over imports (which is the measure of Germany's ability to pay her foreign obligations) slumped from 88,600,000 marks in May to 28,800,000 in June, a drop of 68 per cent. The surplus of exports over imports for the first six months of the year declined from 602,000,000 marks in 1932 to 291,000,000 marks in 1933, or more than 51 per cent. The biggest drop in exports was in finished goods and was due in part to the depreciation of currencies, tariff walls, rival exchange restrictions and boycott measures in retaliation for German anti-Semitism. Comparing the first six months of this and of last year, exports decreased 20 per cent in value and 12 per cent in quantity, while imports increased 13 per cent in value but remained stationary in quantity.

AUSTRIA AND THE NAZIS

In the conflict between Chancellor Dollfuss and the Nazis for the control of Austria, National Socialists in Germany have continued an aggressive campaign. Radio broadcasts from Munich have led to protests from Vienna. More serious are the several occasions on which German Nazi airplanes have flown over the Austrian frontier and dropped incendiary leaflets encouraging Austrians to revolt against the Dollfuss government. Yet when airplanes were alleged to have flown over Berlin and to have dropped leaflets (which were never published and which French newspapers allege to have been a Nazi invention and excuse for demanding military airplanes forbidden by the Versailles Treaty) there was a great outcry from Dr. Goebbels's press, and Captain Goering is said to have tried to buy some military airplanes in England.

The Passion Play Theatre in the Austrian village of Erl, near Kufstein, a short distance from the Bavarian frontier, was destroyed by fire on July 18. It was suspected that this was caused by Nazi incendiaries, as a huge swastika and the word "revenge" were found painted on the foundations.

Baron Werner von Alvensleben, a German Nazi of distinguished family, was arrested in Austria, carrying a false passport which had been supplied to him in Munich. He confessed to taking part in the murder of an Austrian official and of planning to make an attempt on the life of Major Emil Fey, Austrian Minister of Police. But the Dollfuss government preserved its sangfroid and contented itself with making protests to Berlin and excluding from the Vienna Diet the fifteen Austrian Nazi members led by Dr. Frauenfeld, Hitler's lieutenant for Austria.

Unrest in the New Spain

By WILLIAM E. LINGELBACH
Professor of European History, University of Pennsylvania

SPAIN'S Constituent Cortes on July 14 completed its second year of hard and almost continuous work. It has drafted and promulgated the Constitution and enacted complementary legislation vital to its functioning as the charter of a Socialist republic; secured the passage and adoption of the Catalan Statute; inaugurated extensive agrarian reforms and forced the separation of Church and State. At the same time, the Cortes has maintained law and order in a country torn by factional, class and regional interests. Little wonder that it is growing weary, that much of the enthusiasm of two years ago has disappeared, and that the opposition appears to increase steadily in strength and violence. Apart from the opposition of the church and the landowners, there is the dissatisfaction of the Left with the Defense of the Republic Act, which virtually gives the Ministry dictatorial powers, and there is wide disapproval of the amendment to the act creating the Court of Constitutional Guarantees which forbids the court to pass upon the constitutionality of measures enacted by the Cortes before the court was created.

According to Premier Azaña, the nation is still behind the government and its policies. The forces of reaction and anarchy are weakening, he told the Cortes in connection with a report of the arrest, on July 25, of over 500 persons representing a conspiracy of the Right and Left groups in a combined effort to destroy the Republic.

The movement was well financed, he said, and "had wide ramifications throughout Spain." "With the frustration of this plot," he declared, "we believe we have lifted the cloud which has hung over Spain for several weeks and definitely averted the storm."

Signs that the government is still far from having dissipated all the storm clouds, however, appear in the sporadic encounters between Socialists and Royalists, attacks upon the churches, the continuance of Anarchist and Syndicalist raids and bombing outrages (150 in six months), the feud between the Catalan landowners and the peasant renters and the increasing vigilance against foreign Communists following the deportation from Barcelona of 108 foreign Reds. Equally disconcerting must be the defection of the powerful daily newspaper, *El Sol*, with its evening edition, *La Voz*, and another Left Republican journal, *Luz*. Ever since the establishment of the Republic, *El Sol* has been in close touch with the government, a sort of semi-official journal. It proclaimed its change of front in a statement that the policies of the Azaña Ministry were out of accord with the wishes of the nation, that too close contact with officialdom was harmful and that Spain again stood in need of an independent press. In the meantime, the Catholic press is becoming much more active. *El Debate*, according to Associated Press reports, has recently purchased four of the largest type of American print-

ing presses in preparation for a wider endeavor to awaken Catholic opinion which the new primate, Mgr. Goma, regards as of the greatest importance.

In the meantime, the trial of the leaders arrested in the abortive revolt in Madrid and Seville on Aug. 10, 1932, has been resumed. Fifty-two officers in resplendent uniforms were arraigned before the court, accused of rebellion. During the early days of the trial they assumed so haughty an attitude that it almost seemed at times as if the court itself were on trial; frequently the audience applauded the claim that the revolt was entirely by gentlemen who should be accorded special treatment. The revolt in Seville, according to General Sanjurjo, who assumed the entire blame, was essentially Republican and directed against the Azaña Government only, while the movement in Madrid, on the other hand, was Monarchical.

Mgr. Goma, who was on July 7 publicly installed as Archbishop of Toledo and Primate of Spain, assumed his duties with a heavy heart, conscious of the devastating attacks upon the Spanish Church in the last two years and of the necessity of reorganization and reconstruction. In his first pastoral letter he protested against the separation of Church and State, but urged respect for the authorities in order to guarantee the social order. Political opposition is to be exercised through the Acción Católica to which is entrusted the cause of the church in its relation to politics. Plans for church schools are being made since the law permits members of the orders to teach provided they do not do so as representatives of the orders or wear clerical garb. In the meantime, the government, pushing ahead vigorously with its program for secular education, adopted by an unusually large

majority a bill authorizing the expenditure of 29,000,000 pesetas [at par the peseta is worth 19.295 cents] to put the new education law into effect on Oct. 1.

Land legislation is again lagging, but in connection with the assumption of office by the Director of General Agrarian Reform, the Minister of Agriculture announced that unless the Cortes passed the two subsidiary laws necessary by the end of the year, he would proceed to carry out the reforms by Ministerial decree.

A gigantic project for the electrification of the railroads in and around Barcelona at a cost of 142,000,000 pesetas during the next decade has been announced. Two Spanish trunk lines, one from Madrid and the other from the north coast, are to be consolidated in a single system with the railroads and street railways of the city and suburbs. It will include two underground roads, the construction across the entire city of a three-track tube and the building of what is claimed will be the largest underground station in the world.

Considerable anxiety has been aroused among American automobile manufacturers, who have hitherto supplied about 80 per cent of the machines for the Spanish market, by the special preference given to French machines by the new tariff regulations. In return for the relaxation of certain quota restrictions on Spanish goods entering France, French champagne and automobiles have been granted exceptional tariff rates. The agreement is an addition to the existing commercial treaty. The lifting of the trade restrictions between Spain and the Argentine was hailed as another sign of the rapprochement of Spain with the republics of Spanish America. Special trade, as well as political advantages, are expected

from the recognition by Spain of the Soviet Union. The decision for recognition was reached without opposition on July 27 at a meeting of the Cabinet at which President Zamora presided. On the following day Foreign Minister Fernando de los Rios sent the formal note to Moscow.

During the month the unfortunate arrest and imprisonment of five Americans as a result of a difference with the Civil Guard after an evening at the Palma Hotel in Majorca threatened to cause diplomatic difficulties between Spain and the United States. According to reports, the group was reprimanded by a Civil Guard for being too noisy. In the altercation that ensued the guard's face was slightly cut. All five were charged with attacking the Civil Guard, an offense covered by military law which might carry a prison sentence of from five to ten years. The incident itself was trivial enough, and Ambassador Bowers was correct in his claim that the prisoners should be released on the basis of "common justice," regardless of the technicalities of the Spanish law applicable to the case. Unfortunately, however, the situation was complicated by the government's fear of offending the Civil Guard, upon whose support it has been resting so heavily in all recent crises. Without the guard the government can hardly expect to maintain itself against its many enemies. On July 20 the prisoners were released on bail, and presumably the incident was to be settled amicably.

CHANGES IN THE ITALIAN FASCIST PARTY

During the month a general tightening of discipline was apparent within the ranks of the Italian Fascist party. According to instructions sent out to the provincial and regional

leaders by Achille Starace, secretary general of the party, the Fascist insignia is to be worn by all. Simplicity and utility in dress, even to the exclusion of silk hats by high officials, is ordered. All ostentation is to be avoided. Fascist officials are to keep away from de luxe restaurants and theatres. They are to penetrate into the humbler quarters of the cities and make sympathetic contacts with the masses, going either on foot or preferably on motorcycles. The motorcycle suggestion is a phase of the Duce's plan to build up a vast mobile army and to develop a nation of centaurs on motorcycles. To stimulate the movement, all taxation on the machines has been abolished. Along with the orders for a more rigorous discipline within the party there was issued on July 23 an order that after Aug. 1 enrolment in the party from without would cease. Thereafter, only those coming up through the youth organizations can gain admittance. The total party membership at present is estimated at about 2,500,000.

In working out the syndicalist system, which Mussolini regards as the unique contribution of Italian fascism to the economic and political order of the twentieth century, a new body was established during the month, called the Corporation of Categories. Its duties are to relieve the Ministry of Corporations, presided over by the Duce, of some of its duties. It has been given extensive powers in the adjustment of wages and of disparities in certain occupations, in the regulation of conditions of apprenticeship and vocational training, and in co-ordinating welfare and labor exchange activities. It completes the Guild System and is a further move in the direction of government control and direction of industry.

Unemployment figures have shown

a decided improvement. According to official statistics, at the middle of July there were 884,000 unemployed, a reduction of 116,000 from the number in the corresponding weeks in June. Money was easy and the trade balance favorable, despite the continued falling off of both imports and exports. For the six months ending June 30, the former fell 816,000,000 lire below the figures of the first six months in 1932 while exports declined only 345,000,000 [at par the lira is worth 5.263 cents]. The falling off in imports is causing some anxiety in regard to the standard of living, while the considerable loss in exports is worrying industrialists who depend on export trade. The government is, of course, doing everything in its power to improve trade relations. During July it manifested an extraordinary interest in the extension of trade in the Balkan and Danube area. Late in the month the draft of a three-cornered commercial treaty between Italy, Austria and Hungary was worked out along the lines proposed by Mussolini in 1931, when the plan failed because of Austria's financial bankruptcy and the collapse of the Creditanstalt. As a regional agreement, it is in accord with recommendations from Geneva though it cuts deeply into French and German ambitions. In view of the Four-Power Pact, however, it is pretty clear that France is quite ready to purchase more friendly relations with Italy by yielding some of her claims in the region, if by so doing she can interpose an effective barrier to a Berlin-Vienna rapprochement.

Along with easy money during the first part of July there appeared a significant rise in the prices of securities, especially of government bonds. Italy adheres strongly to the gold standard and vigorously supported

France and the gold bloc at the London Conference. The Italian press is a unit in declaring American inflation a mistake which is likely to interfere seriously with Italian export trade.

A merger of electrical power companies has been developed under the leadership of the Compagnia Generale Elettrica Adamello, one of the largest hydroelectric companies in North Italy. The plan involves increasing the shares of the company from 400,000,000 to 735,000,000 lire by splitting the present 250-lire par-value shares into two of 125 lire each, one common, the other preferred, taking over Elettrica Tridentina with its affiliates, the Idroelettrica Virze and Elettrica Monteneve Companies, operating in Lombardy and Venetia. It will also combine with Elettrica Interregionale Cisalpina, a large wholesale power distributing concern.

Quite eclipsing all other events of the month in the Italian press during July was the spectacular flight of General Balbo and his fleet of twenty-four planes from Rome to Chicago over a carefully plotted route of 6,020 miles by way of Holland, Ireland, Iceland, Labrador and New Brunswick. The return trip began from New York. Careful estimate showed that the time in the air from Rome to Chicago was forty-six and a half hours, which gave an average of 130 miles an hour, or very close to what the General and the engineers had planned.

The three branches of the Italian War Department—the land, water and air services—are to be consolidated under one head in order to bring about closer and more effective coordination. On July 20 Mussolini took over the Ministry of War himself, superseding General Pietro Gazzera, who held the office for the past five years.

Austro-Hungarian Cooperation

By FREDERIC A. OGG
Professor of Political Science, University of Wisconsin

POLITICAL interest in Central Europe has centred recently in the possibility of closer relations between Hungary and Austria as an element in a proposed plan for a new Central European accord. Reports have persisted that Premier Mussolini, having secured acceptance of his Four-Power Pact, envisages as his next move an additional pact on both economic and political lines, to be signed by Hungary, Austria, Czechoslovakia, Yugoslavia, Rumania and Italy, which would lay the foundation for cooperation, especially in economic matters, between Central Europe and Italy. That events are shaping in this direction seems to be confirmed by much heralded visits of Premier Goemboes of Hungary to Vienna on July 9 and to Rome on July 25. The fact that the Little Entente powers are understood to be interested in the plan is construed to mean that France, although not a party, has given her consent.

After his conferences with Chancellor Dollfuss at Vienna, Premier Goemboes told the press that practically all outstanding questions between Hungary and Austria had been settled; that the conferees were agreed that Hungary and Austria are "the cornerstones" of Danubian policy, without which no progress can be made; and that revision of the post-war treaties not only can be brought about by peaceful means, but is the price that must be paid for the economic rehabilitation of the Danubian area. From Rome, in turn, it was reported that

Goemboes was enthusiastic over the results of his conversations with Mussolini, revealing "complete agreement concerning all immediate political and economic problems."

Speyer & Co. of New York announced on July 20 that the Hungarian Government had transferred funds necessary to supplement the reserve fund needed to pay the Aug. 1, 1933, coupons on the government's loan of 1924. It was indicated, however, that exchange difficulties will not permit payment in full of the Feb. 1 and Aug. 1, 1934, coupons.

PARLIAMENTARY REFORM IN CZECHOSLOVAKIA

Nowadays the world hears more about the shortcomings of parliamentary government than about the substantial reforms that are here and there being introduced. The Czechoslovak Parliament has recently been concerned with putting its house in order. Amendments to the standing orders of the body adopted in June at the instigation of the government bloc should go far toward expediting and otherwise improving legislative work. Certain of these amendments penalize members for non-attendance, provide for general debate on important government bills in advance of committee report, stiffen the rules relating to closure, and lay down a procedure by which, in case a Minister refuses or neglects to reply to a question within three months, the matter can, by petition of twenty-one

members, be placed on the order paper of a plenary session.

The representation of minority nationalities in the Czechoslovak civil service and experience with incidents in which members of such nationalities have been guilty of conduct detrimental to the interests of the State, if not definitely treasonable, have led Parliament to enact a comprehensive statute applying to all persons in the employ of the State or of local authorities, school teachers and university professors, ministers of religion, reserve officers and all persons in receipt of a pension or similar income out of public funds. If they indulge in activity directed against the sovereignty, independence or integrity of the republic, or incite others to such activity or conceal such activity on the part of others, they shall be liable to punishment, which may take the form of summary dismissal from their posts, loss of pension for themselves and their dependents, and in the case of the clergy suspension from the ministry and loss of emoluments.

POLAND AND DANZIG

A visit by Dr. Hermann Rauschning, newly elected Nazi President of the Senate of Danzig, to Warsaw during the first week of July afforded opportunity for fresh definition and discussion of the long list of issues outstanding between the Free City and Poland. From press reports of the conversations, these appear to be chiefly (1) the status of Polish nationals in Danzig; (2) the importation of German goods exclusively for the use of Danzig's inhabitants; (3) monetary cooperation, and (4) competition of the new port of Gdynia with Danzig. No effort was made to reach conclusions on any of these matters during the recent courtesy visit, but Dr. Rauschning expressed the

hope of the body over which he presides that all can be settled without mediation by the League of Nations.

MACEDONIAN TERRORISM

Macedonian murders and abductions in Sofia, the Bulgarian capital, reached such proportions during May and June that hardly a day passed without some such episode; people no longer had a sense of security on the streets, in public buildings or even in their homes. Since the last national elections were won on the promise to suppress such occurrences and restore order throughout the country, the national government bloc was faced with a delicate situation. Resolving somewhat belatedly to act vigorously, it first procured from the Sobranye, on June 24, a drastic law providing the death penalty for political murders, being accessory to such or instigating crimes of the kind, and then declared a twenty-four-hour state of siege during which all people were required to remain in their homes, all business was suspended and all communications were cut off while every building in the city was searched by 7,000 soldiers and police for assassins and weapons. Even foreign press correspondents and members of the diplomatic corps were obliged to remain indoors. The result of the grand inquest was the round-up and arrest of about 1,200 persons, of whom 1,100 were members of Macedonian revolutionary factions and the remainder Communists. Large quantities of rifles, revolvers, bombs, hand grenades and ammunition were likewise confiscated.

Apprehension that what was really brewing was a nation-wide dictatorship proved, at least for the time being, groundless. Once the search was completed, normal conditions were resumed. Opinions differed, however,

as to the merits of the government's undertaking. Some sections of the press approved warmly; others pointed out that those arrested were uniformly persons of no importance and insinuated that the proceeding had been planned and executed, not with any determination to seize the real offenders, but only to make a show for the sake of pacifying public sentiment and impressing foreign opinion. It was charged, too, that the arrests were largely confined to members of the Protoperoovist faction—the IMRO—with the consequence that Michajlov, the Al Capone of the rival Mihailovist faction, would henceforth be in a stronger position than before. The move was not particularly effectual, for as early as July 9 the government found itself under the necessity of virtually repeating the operation in the suburban district of Krasnkselo and also to some extent in the capital itself.

For the purpose of curbing the growth of an intellectual proletariat, the government has closed a number of secondary schools and raised the requirements for admission to those remaining. As a further means of checking the exodus from the villages to the cities, it has been decreed that, on the principle that the land must belong to those who cultivate it, landowners who do not make full use of their acreage must forfeit it in favor of landless peasants.

GREEK POLITICAL CONTEST

A Parliamentary by-election in the district of Saloniki on July 2 drew unusual attention in Greece because the contest was made a test of strength between the Tsaldaris Government and its implacable foe, ex-Premier Venizelos. Indeed, the latter was quoted as saying that he would leave the country permanently if the vot-

ing went against him. Contrary to the government's confident expectation, the opposition candidate, receiving 56 per cent of the votes, was successful. In official circles the defeat was attributed to Communist support of the Venizelists, but the explanation more probably lies in the indignation of the electorate over the recent attempted assassination of Venizelos—an episode which the ex-Premier capitalized to the utmost during the campaign. With a strong majority in Parliament, the Tsaldaris Ministry indicated that its program would in no way be affected by the Saloniki setback. Among the measures which are advocated are the division of the various refugee settlements in the neighborhood of Athens into separate demes and communities.

ALBANIAN NATIONALISM

Evidences of a rift between Albania and Italy continue to multiply, although whether they betoken anything more than a transitory wave of Albanian "nationalism" is not so clear. For years the country's ambitious program of modernization has been carried along chiefly with Italian money, Italian advice and guidance. Reaction against Italian influence first manifested itself openly several weeks ago in a decision of King Zog's government to close all private schools in the country, the great majority of which were run by Italians; as a result, hundreds of Italian teachers, most of them members of religious organizations, have returned to Italy. Simultaneously, Rome began pressing for payment of long overdue interest on a \$10,000,000 loan dating from 1925, and eventually, nothing having been obtained, stopped instalments on a 1931 loan of similar proportions. In addition, General Pariani, Italian military adviser at Tirana, was recalled.

Finland Rejects Fascism

By SIDNEY HERTZBERG

THE most pronounced movement toward the Left since the establishment of the Finnish Republic constituted the people's answer to the flamboyant appeals to the extremists of the Right in the regular triennial election to the Diet on July 1 and 3. This unmistakable rejection of fascism caused intense chagrin to its supporters. So certain had they been of establishing themselves with the electorate, that their pre-election speculations had been confined to the possible range of their gains.

The German brand of fascism was represented for the first time in a national election by two groups, each with its own *Fuehrer*. Their combined vote was 3,893. The total cast throughout Finland was approximately 1,100,000. The Lapuan Black Shirts, under the name of National Patriots, united with the Conservative party. Together they polled 186,824 votes, against a straight Conservative vote of 203,958 in 1930. Their representation in the Diet likewise fell, from forty-two to thirty-two members. Only one of the numerous new Fascist groups, the "Crisis party," succeeded in entering the Diet. It polled 8,549 votes, entitling it to two seats.

The Social-Democrats gained twelve seats and will control seventy-eight of the 200 votes in the Diet. Their total popular vote rose from 385,820 in 1930 to 412,759. The Social-Democrats registered increases all over the country. Even in the province of Lapua, cradle and stronghold of Finnish fascism, their vote was reported to have risen in all nine electoral dis-

tricts. The Social-Democrats undoubtedly received a great many Communist votes. Although the Communist party is outlawed, it put forward a "non-partisan" slate which drew some 2,000 supporters.

The only other gains were made by two small groups, both of which stand somewhat to the Left. The Progressive party added a single seat to the ten it has had since 1927 and increased its vote from 65,830 in 1930 to 82,476. While this group corresponds most closely to a centre party in Finland, it supports, more or less consistently, advanced social reforms. The Small Farmers party, which stands between the Agrarians and the Social-Democrats, added two seats to the one it obtained in 1930 and increased its vote from 20,883 to 36,817.

The Agrarian party lost seven of its sixty seats. Its popular vote fell from 308,280 to 249,086. The Swedish party retained its twenty-one seats but its vote declined from 122,589 to 115,385. The Social-Democrats, who carried on an intensive campaign among the Swedes, probably gained the difference. There are approximately 350,000 Swedish-speaking inhabitants of Finland. The Social-Democrats want to see this element vote along economic rather than national lines. There is no coherence of political opinion in the Swedish party, but the Conservatives are in the majority. In the last Diet, one of its members was listed as "Swedish Left."

The new Diet convenes on Sept. 1. If there is to be a Cabinet change, it

probably will not take place until the 1934 budget is brought in. The two outstanding immediate demands of the Social-Democrats will be adequate unemployment relief and the checking of the Lapuan and other anti-democratic movements.

Following the Bank of Finland's reduction of its minimum discount rate on June 2 by $\frac{1}{2}$ per cent to $5\frac{1}{2}$ per cent, the Interest Delegation, which fixes rates of interest for all financial institutions in Finland, decided to reduce deposit rates as of July 1 by $\frac{1}{2}$ per cent. This makes the rate on six-month deposits $4\frac{1}{2}$, $4\frac{3}{4}$, and 5 per cent and on current accounts, $2\frac{1}{2}$, $2\frac{3}{4}$ and 3 per cent. For the purpose of determining rates of interest, Finnish banks are divided into three classes according to size, the largest institutions paying the lowest rate. The interest charged on loans will be reduced proportionately. Borrowers all over the country, particularly farmers, will benefit by this change.

At the end of May, the number of unemployed in Finland was reduced to 42,400 from 82,600 at the end of last year. This also represents a decrease of 11,000 from May, 1932.

SWEDISH ECONOMIC AFFAIRS

Economic statistics for the late Spring indicate that there has been a slight improvement in Swedish business conditions. The balance of trade for June shows an excess of exports of approximately \$3,750,000—the first excess in two years. For the first six months of 1933 the excess of imports was only \$19,400,000, as against \$37,250,000 for the same period last year. The change was brought about by an increase in the quantity of lumber, pulp and pig-iron exports and a decrease in imports of higher priced goods. The government is try-

ing to reduce the size of Sweden's principal imports, coal and gasoline, by encouraging substitutes. It has appropriated funds for research into the use of wood products for fuel purposes; wood, instead of imported coal, is to be used next Winter in all public buildings, and more money will be advanced to buyers of motor trucks and tractors which use charcoal gas.

The number of unemployed during May was 104,094; last January it was 181,944. Both the cost of living and the wholesale price indices reached new low points during March and April. But a rise was indicated in May. The government's policy is to encourage a moderate increase in wholesale prices and at the same time try to prevent undue jumps in the cost of living, especially for the working class. An improvement in the shipping industry has also been noted.

At the request of President Roosevelt preliminary studies are to be made of the possibilities of a trade agreement between the United States and Sweden. The value of Swedish exports to the United States in June, 1933, amounted to \$2,299,471; in June, 1932, the figure was \$895,394. The cost of Swedish imports of American goods totaled \$1,202,410 in June, 1933, compared with \$985,044 in June, 1932. The negotiation for the treaty will be in the hands of Laurence A. Steinhardt, the new United States Minister to Sweden, who arrived in Stockholm on July 25. The appointment of Mr. Steinhardt, the youngest Minister in the American diplomatic service and a close friend of President Roosevelt, may be taken to mean that cultural as well as economic ties between the two countries will become closer and that American efforts in this direction will be carried on with intelligence and vigor.

Soviet Diplomatic Successes

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE achievements of Soviet diplomacy during the past month have been thrown into relief by the failure of the World Economic Conference to achieve any general solution of international problems. Russia's contribution to the business of the conference was of slight practical importance, but she exploited the opportunity presented by an assembly of delegates from all the nations of the world to settle many political questions with individual States and to press forward a comprehensive program of foreign relations. Foreign Commissar Litvinov, after his original economic program failed to win the approval of the conference as a basis for a general settlement, busied himself almost exclusively with questions relating to Soviet international relations.

First, in point of time, came the settlement of Russia's quarrel with Great Britain. A series of conferences between Litvinov and the British Foreign Office resulted on July 1 in an announcement that the two countries would immediately resume normal relations after more than two months of bitter trade war. The two British engineers imprisoned in Moscow for sabotage were released on the same day under penalty of banishment from the country; a British order-in-council revoked the embargo on Russian trade; and a decree of the Soviet Central Executive Committee withdrew the counter-embargo on British goods. It was also announced that the negotiations for a new trade agree-

ment, broken off in March in consequence of the Metropolitan-Vickers incident, would be resumed without delay in the hope of reviving a trade which in recent years has totaled as much as \$100,000,000 annually.

In accordance with diplomatic usage, both sides have tried not to lose face. Thus the release of the two prisoners may be represented as a vindication of the British position in the original controversy, while the Soviet Union can point out that the British embargo was revoked twelve hours before the prisoners were released, and can announce publicly that negotiations for a trade agreement have been resumed "on the proposal of the British Government." But these diplomatic manoeuvrings are unimportant now that the two countries have again found a basis for political and commercial relations.

This settlement, however, did not help to clear up the mystery surrounding the trial of the Metropolitan-Vickers officials. The fact that Thornton and MacDonald confessed themselves guilty of conspiracy and sabotage remains uncontested and unexplained. Since their arrival in England both men have been non-committal in their comments on the trial, neither retracting their confessions nor explaining their conduct. They have made it clear that they were well treated while in prison, sharing a room apart from the other prisoners and receiving adequate rations while exempt from any obligation to work.

Their obvious good health and their description of the treatment accorded them have ended the fantastic rumors of torture and brutality which were freely circulated in other countries during the trial and after the imprisonment of the engineers. The Soviet Government has attempted further to reassure foreign opinion as to the impartiality of Russian courts and the safety of foreign nationals within the Union by publishing in English a complete verbatim transcript of the trial—three volumes of some 800 pages, including facsimile copies of the confessions signed by Thornton, MacDonald and Monkhouse—under the title *Wrecking Activities at Power Stations in the Soviet Union*. Though of considerable interest as an exhibit of the novel character of Russian judicial methods, this document, however much it may impress the reader that in this case the Soviet authorities proceeded in good faith, does not dispel the air of mystery surrounding the episode.

Coincident with the settlement of the issues with Great Britain, the Soviet Union carried on negotiations with representatives of the United States which presage early diplomatic recognition by America. A conference between Commissar Litvinov and Assistant Secretary of State Moley in London on July 2 concerning the application by Amtorg to the Reconstruction Finance Corporation for a loan to finance the purchase of American cotton resulted immediately in favorable action by the directors of the R. F. C. and the approval of the loan by President Roosevelt and Secretary Woodin. This of itself was merely a business transaction without any necessary political implications. The American Government has created for the Soviet Union a credit of some \$4,000,000, receiving in exchange

5 per cent notes of the Amtorg Trading Corporation, unconditionally guaranteed by the State Bank of the U. S. S. R. This money will finance the sale by American exporters of from 60,000 to 80,000 bales of cotton for shipment to Russia; Amtorg undertakes to provide 30 per cent of the sale price at the time of purchase and to discharge the indebtedness at the end of one year.

Considered against the background of American foreign policy, the event acquires additional significance. This loan to promote sales to Russia is the first transaction of the kind to receive the sanction of any United States Government since the war. In accordance with the non-recognition policy, other administrations have not only denied the Soviet Union the support of government credit but, whenever the advice of the State Department was sought, have refused to approve loans made by American banking institutions. The present action, therefore, indicates a complete reversal of an attitude which has always been presented as a necessary phase of America's non-recognition policy; it is even more important because it received in advance the support of Senators and other public officials who are leaders of the movement for outright recognition. Additional loans of similar character, but for much larger amounts, are now under consideration as further discussions of the question of recognition are being carried on by representatives of the two countries.

The bases of the American policy of non-recognition have been greatly weakened by the trend in international affairs during recent years. As laid down in the Harding régime and reiterated by succeeding Republican administrations, this policy has demanded two conditions precedent to

recognition—the assumption by the Soviet Union of responsibility for the pre-revolution Russian debt to the American Government and for the property losses of our nationals during the revolution, and the cessation of Soviet-inspired Communist propaganda in the United States. The first of these conditions has been virtually nullified by the widespread repudiation of debts by governments which we continue to recognize. With regard to the second, the Soviet Government can present strong evidence that it has already met American demands. The curbing of the propagandist activities of the Third International, one of the salient features of Stalin's régime, has been dictated by Russia's urgent need for foreign markets, a condition implicit in Stalin's domestic program. The Soviet Union need no longer rely upon the former subterfuge that the government was not officially involved in the subversive activities of the International; it can point to the fact that these activities have been virtually suspended throughout the world. As these obstacles to recognition have been removed by the pressure of world affairs, positive motives for a change in American policy have grown stronger with the increasing need of foreign outlets for American basic commodities and the products of the American heavy-metal industries, until today business interests in the United States are pressing for recognition through chambers of commerce and similar groups, through farm organizations and through many of our largest enterprises.

These general aspects of the situation, taken in conjunction with the recent negotiations with Soviet representatives, convinced the delegates at the London conference that it was a matter of weeks only before normal

diplomatic relations would be established between the United States and the Soviet Union. Representatives of other countries were convinced of this fact and it obviously was accepted by their respective governments as an element in their own foreign policy. It is, perhaps, fruitless to present all the evidence pointing to this result, since it was founded for the most part on rumor and conjecture—news reports that Assistant Secretary of State Moley had assured Litvinov that President Roosevelt was prepared to proceed with recognition in the Fall; statements that a scheme for provisional diplomatic relations to begin in September had been agreed upon, and many equally unauthoritative pronouncements. More significant were the confident tone of the Soviet press, which, until very recently, has been consistently pessimistic with regard to the matter, and the activities of American business concerns which were making definite preparations for a resumption of normal relations with Russia.

In a still wider arena, the Soviet Union has recently scored diplomatic successes which bear directly upon her security. Chief among them is the conclusion of a series of non-aggression pacts with all her immediate European neighbors. Previous treaties of similar character were defective in two respects: they did not include Rumania, an important country in the Soviet peace system because of her frontier position and because of her alliances with Poland and France; and their terminology with respect to aggression was most indefinite. The good offices of Poland as a mediator between the Union and Rumania enabled Commissar Litvinov and Rumanian Foreign Minister Titulescu to sign in London on July 3 a non-aggression pact binding their

respective governments. The pact settles one potential cause of war—the dispute over Bessarabia, a stretch of territory taken from Russia and given to Rumania by the war treaties. The same afternoon the Soviet Commissar signed a convention defining an aggressor with representatives of Persia, Afghanistan, Turkey, Poland, Rumania, Latvia and Estonia, which materially strengthened the circle of peace treaties. Lithuania, which had shown some mistrust of Poland's activities in behalf of the Soviet Union, became a party to this convention on July 5. It was also announced that Finland and China had indicated their readiness to adhere to the treaties at a later date.

Full appreciation of these important developments requires that account be taken of subsequent negotiations between the Soviet Union and France and Italy. Cordial relations with France had been prepared for by the agreement regarding non-aggression and neutrality recently concluded between the two countries. But the support of France, as the mentor and leader of the States of Eastern Europe, was needed to give final assurance of all the implications of this latest series of peace pacts. Moreover, the Soviet Union has desired a much more liberal trade agreement with France. On July 6 Litvinov went to Paris to confer on these matters with Premier Daladier and Foreign Minister Paul-Boncour. Although no further developments in Franco-Russian relations were announced as a result of this conference, the Soviet press published optimistic predictions as to the outcome. Much significance was attached also to the invitation extended by the Soviet Government to former Premier Herriot, who was chiefly responsible for the conclusion of the Franco-Russian neutrality pact, to

visit Moscow for further discussion of trade relations.

After a long conference on July 11 between Premier Mussolini and Soviet Ambassador Potemkin, it was announced that Italy and the Soviet Union were drafting a non-aggression pact similar to those recently concluded between Russia and her European neighbors. Reasons peculiar to the relationships of the two countries lend dramatic color to this event. The Communist and Fascist régimes have always been enemies; Russia's first series of peace pacts with Central Europe was designed in part as an offset to Fascist diplomacy in that area; more recently, the Soviet press has interpreted Italy's leadership in forming the Four-Power Pact as evidence of an anti-Russian policy. To absorb Italy in a neutrality system which embraces States of such diverse interest as the Soviet Union, the States of the Near East led by Turkey, the Western and Central European nations and France would have been considered impossible before the recent successes of Soviet diplomacy prepared the way.

While the importance of the improvement in Soviet relations with Great Britain and the United States requires no emphasis, two observations may be made with regard to the series of non-aggression pacts. In the first place, they vitally affect the Soviet position in the Far East. Their effect is to secure the Soviet Union from attack for any and all reasons along the entire length of her extended frontier in Europe and Asia to the borders of Manchukuo. Moreover, they insure a benevolent neutrality of the States in these areas in the event of conflict with another country. With this assurance of safety the Soviet Union can marshal all its forces to support its interests in the Far East, where affairs have not been develop-

ing satisfactorily. Negotiations with Manchukuo over the sale of the Chinese Eastern Railroad have reached a condition of stalemate, and the Soviet Union is being continually irritated by Manchukuo's interference with Russian traffic on the road. For this condition Japan is blamed as the power behind the puppet State on Russia's Siberian frontier. Japan's recent refusal to allow Russian nationals to salvage a Soviet ship wrecked on the Japanese coast is an example of direct causes of friction between the two countries of which cases have been multiplying during the past few weeks. That the Soviet Union feels stronger because of her improved position in the West is obvious in the perceptible stiffening of her attitude toward Japan since the signing of the non-aggression pacts.

These new treaties indicate a general shift in Soviet foreign policy. Since the German-Soviet treaty of 1926 Russia has, as a general rule,

identified herself with the faction of Europe which has pressed for a revision of the war settlement—a faction led by Germany and opposed to the policy of France and her allies, particularly Poland. Now the Soviet Union has indicated, both by the recent treaty arrangements and by definite statements in the press, that she intends to join forces with those associated with French policy. There is little question that this change of front is attributable to the policies of the Hitler régime—the aggressive anti-Marxism which characterizes Hitler's domestic policy and the external expansion program revealed by Dr. Hugenberg's London memorandum, which Moscow holds is aimed at Russian territory. The effect of these developments is to leave Germany in a state of virtual isolation on the Continent of Europe, and therefore, in the words of a recent commentator, they "may well prove an historical landmark in European affairs."

Egypt's Anti-Christian Outburst

By ROBERT L. BAKER

LIKE other Oriental countries where Catholic and Protestant missions exist, Egypt experiences periodical anti-missionary outbursts. In the one which flared up toward the end of June no blood was shed, but the violence of Moslem press and pulpit against missionaries, mission schools and against the government for permitting them created a dangerous situation.

The immediate occasion of this campaign was the alleged attempt of the English headmistress of a mission

school at Port Said to coerce a Moslem girl into accepting Christianity. The Moslem press and priesthood immediately seized upon the report as a pretext for demanding that all missionary schools be closed, that all missionaries be expelled and that the government take measures to provide orphanages and schools to accommodate Moslem children at present cared for by missionary institutions. In this agitation the highest Moslem authorities, including the Rector of Al Azhar University in Cairo, participated. A

Committee for the Defense of Islam, headed by Sheikh Mohammed el Magraghi, former Rector of Al Azhar, who, incidentally, at one time studied at Columbia University in New York, was organized to combat missionary work in Egypt. Telegrams of protest against missions were sent to the government from all parts of Egypt, and King Fuad received a large number of petitions imploring him to protect the rights and souls of Moslem children. For a number of weeks the newspapers of Cairo devoted most of their space to the campaign.

It was only natural that a number of acts of violence should result from the excited tone and false or exaggerated stories in the newspapers. The home of an American Protestant missionary was broken into, Coptic priests were beaten in various parts of Egypt, and in the Delta a dispensary and welfare centre maintained by the Franciscan Sisters of Mercy for poor Egyptian children was wrecked and some sixty children taken away by the rioters. At Mehalla el Kebir, the largest cotton centre in Egypt, a Greek priest was beaten and an American mission school was stoned. When the government was at last aroused to take steps to maintain order, it forbade the Committee for the Defense of Islam to hold public meetings. Some of the members of the committee, in appealing for funds, were so bitter against the missionaries that the authorities feared further violence, and only the priests of Al Azhar were permitted to solicit subscriptions to provide more Moslem orphanages and schools.

Public pressure forced the government to request the headmistress of the Port Said school to leave the country, and it felt impelled to expend £70,000 to establish Moslem or-

phanages. After the first week in July there came a shift in emphasis in the press campaign. Instead of the demand that all missionaries be expelled, sharp attacks were launched against the privileges and facilities which the Egyptian Government grants to recognized mission societies, such as travel on the State railways at half fare and the exemption of missionary institutions from customs and other taxes and, finally, against the subsidies that in certain cases have been given to missionary schools. The Committee for the Defense of Islam estimated that if these exemptions and subsidies were withdrawn an additional revenue of £150,000 would be obtained and that this could be made available for education and welfare work among Moslem children. They would not then have to resort to missionary clinics and schools where, according to the committee, "they were lured for the purpose of conversion."

The majority of the members of this committee are members of the Liberal Constitutional and moderate Wafdist parties, who at all times seek to embarrass the present government. The regular Wafdist leaders and newspapers were more moderate throughout the period of excitement, probably because they depend to a considerable extent on Christian Coptic support.

Oppositionist circles in Egypt will not be pleased with the news that Premier Sidky Pasha's health has improved so much during his sojourn in France that there is every likelihood that he will be able to resume the personal leadership of his government in October. Such was the report of Professor Abrami, the specialist who examined Sidky in Paris early in July.

Strong demands were made during the Egyptian budget debates for a reduction of the land tax. In 1889 this

was fixed at 28.64 per cent of the income from the land, but the fall in agricultural prices in recent years has made the burden relatively more severe on the farming class. Every year thousands of farmers are unable to meet their taxes and are dispossessed by the government. Every number of the *Official Journal* contains several pages of land sale notices, published by the Ministry of Finance. Since there is annually a considerable surplus of receipts over expenditures, it appears that something might be done to prevent the present rapid increase in the number of landless fellaheen. Sidky Pasha recently decided to devote £1,000,000 Egyptian from last year's surplus to remitting taxation in the villages. A legal difficulty, however, is presented by the fact that the land tax is earmarked as security for the public debt. Yet the government's extravagant expenditures—on little-needed public works, on entertaining international conferences and foreign visitors—might be curtailed somewhat to improve the lot of the poorer farmers.

PALESTINE'S LAND PROBLEM

In a material way Palestine has fared well during the world depression—better, possibly, than any similar area and population on the face of the globe. A brief explanation of the reasons for this prosperity was given in the August number of *CURRENT HISTORY*. Great Britain has just cause to be proud of the progress achieved in Palestine under her mandate. And yet it is perfectly apparent, even apart from considerations of policy, that the British conscience is never comfortable about the task in the Holy Land. Never clear as to what should be done in the present or striven for in the future, and besieged on the one hand by a vigorous Zionism demanding the

complete fulfillment promised in the Balfour note and on the other by an embittered Arab population and a fanatical Arab Executive, Great Britain has muddled along, courageously holding the balance of justice as best she could. It has been a thankless task, and if her conduct of the mandate appears to have been equitable the fact remains that the British Government and thinking Englishmen have not been satisfied. Proof of this can be seen in the Passfield White Paper and in the appointment of a succession of commissions and individuals to investigate the land question. Is the land policy of the mandate conducive to equity and peace between Jew and Arab? Lord Passfield's pronouncement met with a storm of protest from Zionists throughout the world as pro-Arab, and the reports of the Shaw Commission and Sir John Hope were likewise vigorously condemned.

Now comes the publication of two hitherto secret reports made in December, 1931, and April, 1932, by Lewis French, until lately Director of Development in Palestine, on the resettlement of Arabs displaced from their lands by Jews. At the same time a loan of £2,000,000 to Palestine was announced in the House of Commons on July 14. Part of the money, it is generally believed in Jerusalem, is to be spent in carrying out some of Mr. French's suggestions for the settlement of landless Arabs. While that may be the intention of the British Government, the decision to publish the French reports at this time appears to have a close connection with the universal demand of Zionists that the doors of Palestine be opened to a wholesale emigration of Jews from Nazi Germany and other lands. On June 28, for example, Dr. Chaim Weizmann, former president of the World Zionist Organization and now presi-

dent of the Hebrew University in Jerusalem, proposed the settlement in Palestine of 250,000 Jewish refugees, to be made possible by raising a fund of at least \$25,000,000.

In reply to all such plans the British Government, with the best will in the world, can only refer to Mr. French's careful and restrained reports, and especially to the following conclusions from that of April, 1932: "Leaving aside a few insignificant areas in the hills, temporarily abandoned because the owners have lost their cattle or other simple resources and are too much indebted to be able to replace them, in reality there are at the present time no cultivable lands at all which are 'surplus' in the sense that they are not already subject to cultivation or occupancy by owners or tenants." As to the State domains, Mr. French reported that no land was available. "The sole method by which room can possibly be found for more cultivators," he said, "is the introduction of artificial irrigation by the sinking of wells or bores; and few domains appear, on examination, to offer real scope for this form of development, which would, in any case, take a long time to mature and be inordinately costly, if it were proved to be feasible at all." And finally Mr. French declared: "If land is required for colonists, Arab or Jew, it must be bought with cash or its equivalent from existing occupiers."

Granted that landless Arab cultivators are not only a drain on the taxpayers but also a dangerous element in the community, the British Government is faced by two problems: (1) Shall it purchase lands from Jewish occupiers in order to resettle landless Arabs? (2) Shall it permit large-scale Jewish philanthropy abroad to purchase more lands from Arab occupiers in order to settle the victims of

Nazi persecution, and thus increase the number of landless Arabs? To do both would intensify economic and racial troubles. It seems likely that the British Government will be obliged to make an early and far-reaching decision in regard to both Jewish immigration into Palestine and land policy.

TURKISH CAPITAL FOR NEW RAILWAY

For the first time since the Turkish Republic was founded, the government has been able to grant a railway contract to a purely Turkish capitalist group. Four companies joined for the purpose of making a bid to build the proposed Sivas-Erzeroum line and won in competition with a number of foreign offers. More than 1,000 miles of new railways have been built for the government by foreign firms and a total of 1,400 miles will have been constructed by 1934. The new line will be 420 miles long and will involve the expenditure of 47,630,000 Turkish pounds. The appearance of Turkish capital in the field of large-scale investment will probably soon become common—another striking illustration of Turkey's rapid modernization. Confidence in the government and in the sound banking system it has established are responsible for the innovation.

Tewfik Rushdi Bey, the Turkish Foreign Minister, arrived in Rome on July 10 for conversations with Premier Mussolini and Signor Suvich, the Italian Under-Secretary for Foreign Affairs, and next day talked with the Duce for an hour and a half. In a statement to the press Tewfik stressed the necessity for the development of closer economic relations between Italy and Turkey. Political observers in Rome believed that one of the main objects of his visit was to reassure the Italian Government that the non-

aggression and amity pacts recently concluded and under negotiation by Turkey with her neighbors and with the Little Entente are not prejudicial to Italy.

AMERICAN OIL CONCESSION IN ARABIA

In the middle of July the *Official Gazette* of Saudi Arabia, which appears in Mecca, published a royal decree granting an exclusive sixty-year concession to exploit petroleum resources throughout Saudi Arabia to the Standard Oil Company of California. This company already has a concession in the Bahrein Islands in the Persian Gulf, where its explorations have been rewarded by finding depos-

its of considerable value. In return for its new concession the company is to make two loans to King Ibn Saud and pay annual royalties. A clause of the contract provides that the concession may be canceled if the company does not begin work before September, 1936.

The grant of the concession to an American firm again demonstrates King Ibn Saud's aversion to allowing Great Britain, France or Italy, who have interests in the Near East and Northeast Africa, to gain an economic foothold in Saudi Arabia. By this concession, American capital will be allowed to participate with Egyptian and Indian Moslem capital in the economic development of the kingdom.

Militarism Grips Japan

By TYLER DENNETT

Professor of International Relations, Princeton University

NOTWITHSTANDING Japan's extraordinary political and military successes during the last twenty-two months, the emotional condition of the Japanese people continues to border on the hysterical. No State in the world, with the possible exception of Germany, appears at present to have heaped up within itself so many combustible elements.

On Aug. 1 the Japanese army and navy chiefs presented revised estimates for the 1934-35 defense program which are the largest in Japanese history and 45 per cent above the appropriations for the current year. The navy, it is alleged, is determined at the naval conference in 1935 to put forward a demand, supported by a fleet, in commission or

under construction, equal to the London treaty limits, for parity with Great Britain and the United States. The naval estimates are nearly one-third larger than those of 1921-22, when Japan was attending the Washington conference.

The Japanese have not yet forgotten what were to them the humiliating results of the London Naval Conference. During July of the present year the trial of the civilian, naval and military plotters who were responsible for the terrorism of May 15, 1932, in Tokyo, has given some glimpses of the hell-broth which has been bubbling under the surface in Japan in the last few years. The priest who is leader of the Blood Brotherhood which murdered Finance Minister Junnosuke

Inouye and Baron Takuma Dan, declared that he still believed in the righteousness of his cause, that the political parties are responsible for the existence of the privileged class in Japan, and that the Elder Statesman system should be abolished. The ten naval officers implicated in the plot were disclosed as having been deeply disappointed at the results of the London conference, which, it will be remembered, were ratified in Japan without the express approval of the naval authorities. This action was interpreted by many of the naval officers as an intervention by the industrialists which was likely to result in placing Japan at a naval disadvantage in the Far East. At the trial it was obvious that many of the younger Japanese naval officers believed that Japan must rescue the colored races from white domination. Part of the navy trial was held in camera.

The Japanese plotters appear to have expected that their reign of terror would bring about the imposition of martial law, thus paving the way for a military government under General Araki, whom the reformers hoped vainly to secure as a leader. The terrorists also wished to express dissatisfaction with the government for its failure to relieve the starving farmers, the parents of the brave young soldiers who had been fighting for Japan in Manchuria and at Shanghai.

While the trial was in progress the Japanese police professed to have uncovered a new plot to assassinate a group of political leaders, and on July 10 arrested fourteen men who belonged to Nihon Seisanto, a society which, it is alleged, has 150,000 members. The society held a meeting to influence the trial by starting an agitation for the "restoration of the naval strength sacrificed by the Lon-

don treaty." Though the police sought to convince the public that a Fascist plot had again been nipped in the bud, many people were skeptical of the reality of the police apprehensions.

A few days later, on July 20, the army carried out a sham air raid at night over Tokyo, which was reported to be designed as propaganda for the new army estimates. At 9 P. M. a siren sounded, lights were cut off and a plane appeared, dropping flares. Thus was the popular imagination fired by an ocular demonstration of a possible future attack on Tokyo. In the new budget estimates much emphasis is laid upon air armament. It is reported that nearly a hundred planes have been contributed to the army and navy by popular subscription, five of them by schoolboys throughout the country.

In the last week of July Tokyo was excited by the report that France had occupied nine small coral islands between the Philippines and French Indo-China. A member of the House of Peers immediately demanded that Japan annex the islands, although they are believed to be quite without value. Even the deposits of guano have long since been removed by Japanese traders.

By dint of much blustering and some legal right Japan was able to exact from the Soviet Government an apology on July 3 for the killing of three Japanese fishermen on the Kamchatka coast. On the same day, however, Japan apologized to Moscow for an attack twenty-four hours earlier on the Soviet commercial attaché in Tokyo. Six days later a Japanese news agency reported the seizure of a Japanese fishing boat by a Soviet trawler off Petropavlovsk. Other seizures were reported in the Kurile Islands. On the other hand, the Japanese police were reported to have seized two Russian

vessels on suspicion of spying off an unhabited island in the Kurile group. Thus are the Japanese people being fed from week to week by rumors and reports, many of them official or semi-official in character, which tend to provoke alarm and to create sentiment favorable to ever-increasing military expenditures.

Discussion continued but did not mature during July for the calling of the proposed Indo-Japanese trade conference to be held at Simla. The eagerness of Japanese industrialists for the conference was evident, for without waiting for the naming of the date of the conference, Japanese delegates were appointed. London has proved to be unwilling to grant plenary powers to the Indian commissioners, and while the Indian Parliament is scheduled to open on Aug. 14, it has been made clear that whatever the Simla conference may propose will be subject to revision by a later conference in London. The existing commercial treaty expires on Oct. 10.

Meanwhile, agitation has continued in England over the measures by which British labor can be protected from the competition of lower Japanese wage scales. Though Japan buys three times as much as she sells in Australia and is the second largest purchaser of Australian wool, the Australians have become aroused over increased imports from Japan. Mr. Bruce, Australian Minister Resident in London, is to confer with the British Cabinet on the subject.

To the protests of the Japanese Economic Confederation, composed of all the principal business leaders, a not very conciliatory joint reply has been sent by the Association of British Chambers of Commerce, the Federation of British Industries and the Manchester Chamber of Commerce. In the answer to the threat of Japanese

retaliation against British protective measures, regret was expressed at the hint of a Japanese boycott. The British declared: "Such action might initiate a state of affairs the development of which it is difficult to foretell. It might lead to a series of measures having disastrous results on the relations between the two countries in both economic and political fields, and inimical in the long run to the true interests of both."

British alarm finds support in the reports of Japanese export trade for the first half of 1933. The increase has been 50.9 per cent over the similar period for 1932. Exports of rayon are particularly notable. Last year Japan was the fourth largest producer in the world, following the United States, Great Britain and Italy, but in the first five months of 1933 Japan moved into second place. A considerable part of the increase of rayon exports was to India. The cotton trade with Manchuria has likewise increased and is now more than three times what it was two years ago.

In one other, and even more disquieting respect, Japan is found to be setting new records. The natural increase of the population in the last year was just over 1,000,000; the birth rate was the highest and the death rate the lowest ever recorded in Japan. Birth control has evidently made no progress, though it has been observed that the age of marriage in Japan is slowly rising, which may eventually have some influence on population growth. Nevertheless, at present, the prospect of Japan's expanding her markets in proportion to her population may well be a nightmare to all Western exporting nations.

THE CHINESE SITUATION

Grim as are the realities in the Chinese situation, it is difficult to

view the situation from week to week without being struck by its humorous aspects. Late in June, after an attempt to murder the Admiral, who is also the Mayor of Tsingtao, the imposing Northwestern naval squadron sailed out into the high seas for an unknown destination in search of an object of allegiance, or, possibly, of a source of support. The largest member of the squadron is 4,300 tons and the newest was built in 1911. Failing to do any business in Northern waters, three of the vessels turned south and appeared near Hongkong. There negotiations were opened with the semi-independent Canton Government. But Canton derives no small portion of its revenue from Nanking, which pays it to keep the peace; appropriation by Canton of the Northwestern naval squadron might involve difficulties with the Nanking Government whence flow so many of its financial blessings, and so the offer of the vagrant navy was rejected. China now appears to have the somewhat unique distinction of possessing a navy without a country.

Almost as humorous is the extraordinary situation in which the Nanking Government has been placed by the gestures of the wily General Feng Yu-hsiang, whose alleged sin is that he has arisen in somewhat belated fashion to resist the Japanese. Nanking ordered him to cease fighting. This he ignored, and on July 14, in a private war, he captured Dolon Nor, 200 miles north of Kalgan. Some mystery surrounds his easy victory. Dolon Nor was defended by Manchukuo troops, but it had the assistance of Japanese bombing planes and the Japanese were in a position to supply adequate reinforcements. Apparently the city could not have been captured if the Japanese had seriously objected. Four days later General Feng telegraphed a

general defiance to Nanking and called for the denunciation of the Tangku truce; Nanking responded by sending 60,000 men against Feng. At that point Canton stepped in to express its sympathy with the only Chinese General who in recent months appears to have won a victory. A popular subscription of 50,000 local dollars was dispatched to Feng. Immediately the Nanking Government eased off and called a military conference at Kuling. To add still further to the mystery, General Feng on July 23 suddenly evacuated Dolon Nor for the ostensible purpose of defending Kalgan against the attacks of the Nanking forces. However, Feng seriously compromised himself by negotiating with the Japanese. The present skit closes with two Chinese armies with a total of something less than 100,000 men encamped opposite each other, five miles apart; but there is no fighting.

An agreement was signed at Dairen on July 7 between the Chinese, Manchukuo and Japanese representatives for the administration of the demilitarized area northeast of Tientsin. Japanese evacuation is proceeding slowly, but provision is being made for the resumption of through trains between Peiping and Mukden. A considerable number of "irregulars," friendly to Japan, are being taken into the new Chinese police force. The most difficult problem is the disbanding of the Chinese armies, for a Chinese war lord without troops is hardly distinguishable from a Chinese coolie.

At the extraordinary League Council session at Geneva on July 3, in response to China's formal request, a special committee of nine members was set up to assist in the League program of Chinese reconstruction. The committee has authority to invite the cooperation of the United States.

